public
accounts
2003-04

volume 4 — the financial statements of funds, organizations, agencies and enterprises included in the government reporting entity

Manitoba

for the year ended March 31, 2004

105-05217/

VOLUME 4

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INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA

The Public Accounts of the Province of Manitoba are prepared by statutory requirement, in accordance with the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts for the fiscal year ended March 31, 2004 consist of four volumes:

Volume 1

- This is included in the government's Annual Report
- Section 1 focuses on the entire reporting entity and includes the Summary Financial Statements of the government.
- Section 2 consists of the special purpose financial statements prepared for the Operating Fund. This section focuses on the government's stewardship over the assets and operations of central government. Performance is related to the legislative authorities provided by the annual appropriation of funds by the Legislature through the Estimates process.

Volume 2

- Contains the audited Schedule of Public Sector Compensation Payments of $50,000 or more as paid through the Consolidated Fund as well as those paid by Special Operating Agencies.
- Contains details of unaudited Consolidated Fund and Special Operating Agencies payments in excess of $5,000 to corporations, firms, individuals, other governments and government agencies.

Volume 3

- Contains the details of the Operating Fund Financial Statements.
- Contains the details of the Operating Fund borrowings and guarantees.
- Contains the details of the Operating Fund revenue and expense.
- Contains information provided under Statutory Requirement.
- Contains information concerning certain Operating Fund financial indicators.
- Contains glossary information.

These statements are all unaudited with the exception of the following:

- The Report of Amounts Paid to Members of the Assembly; and
- The Northern Affairs Fund

Volume 4

- Contains the audited financial statements of funds, organizations, agencies and enterprises included in the Government Reporting Entity.

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SPECIAL FUNDS

THE ABANDONMENT RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2004
(with comparative figures for the year ended March 31, 2003)

	2004 $	2003 $
Balance, beginning of year	150,865	263,887
RECEIPTS:		
Royalties	104,600	106,627
Other Recoveries	-	94,496
Interest	1,226	4,399
	105,826	205,522
DISBURSEMENTS:		
Rehabilitation payments	154,668	318,544
Balance, end of year	102,023	150,865

DEBT RETIREMENT FUND

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management of the Department of Finance and have been prepared in accordance with generally accepted accounting principles. These accounting principles have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding estimates and all other data available up to September 27, 2004.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to properly safeguard assets of the Fund.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

Deputy Minister of Finance (Acting)
September 27, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

I have audited the statement of financial position of the Debt Retirement Fund as at March 31, 2004 and the statement of revenue and fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
September 27, 2004

Jon W. Singleton, CA•CISA
Auditor General

DEBT RETIREMENT FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2004
(in thousands)

	2004 $	2003 $
ASSETS		
Funds on Deposit with the Minister of Finance	180,325	151,850
	180,325	151,850
FUND BALANCE		
Fund Balance	180,325	151,850

DEBT RETIREMENT FUND
STATEMENT OF REVENUE AND FUND BALANCE

For the Year Ended March 31, 2004
(in thousands)

	2004 $	2003 $
Revenue		
Interest Income	7,118	3,228
Fund Balance, beginning of year	151,850	100,444
	158,968	103,672
Transfers		
Transfer from the Operating Fund (Note 4)	96,357	96,357
Transfers for Pension Obligation (Note 4)	(75,000)	(48,179)
	21,357	48,178
Fund Balance, end of year	180,325	151,850

DEBT RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

1. Incorporation and Function

The Debt Retirement Fund was established under the authority of the Balanced Budget, Debt Repayment and Taxpayer Protection Act, which received Royal Assent on November 3, 1995. The purpose of the Fund was to assist in the orderly repayment of debt pursuant with sections 8(4) and 8(6) of the Act.

On August 18, 2000, the Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act was passed amending The Balanced Budget, Debt Repayment and Taxpayer Protection Act, with related amendments to The Fiscal Stabilization Fund Act and The Financial Administration Act. The Bill changed the name of the Act to The Balanced Budget, Debt Repayment and Taxpayer Accountability Act. This Act is deemed to have come into force on April 1, 2000 and applies to fiscal years commencing after March 31, 2000.

2. Significant Accounting Policies

a) Basis of Accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b) Funds on Deposit with the Minister of Finance

Cash equivalents are recorded at cost which approximates market value. Portfolio investments are recorded at cost.

3. Funds on Deposit with the Minister of Finance

	(thousands)	
	2004	2003
	$	$
Cash and cash equivalents	41,723	151,850
Portfolio investments	137,088	-
Accrued interest receivable	1,514	-
Total	180,325	151,850

The market value of the portfolio investments as at March 31, 2004 is $140,040.

4. Transfer for Debt Retirement and Pension Obligation

The government transferred $96 million to the Debt Retirement Fund from the Operating Fund in 2003/04 for the specific purpose of reducing general purpose debt and pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. The transfer was made in accordance with subsection 8(4) of The Balanced Budget, Debt Repayment and Taxpayer Accountability Act. In accordance with subsection 8(6) of the Balanced Budget, Debt Repayment and Taxpayer Accountability Act, the Debt Retirement Fund Allocation Committee allocated $75 million to pension liabilities for 2003/04. This amount was transferred to the Pension Asset Fund for the specific purpose of reducing pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund.

5. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

6. Subsequent Event

In April 2004 an amount of $96 million was transferred from the Operating Fund in accordance with subsection 8 (4) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The Debt Retirement Fund Allocation Committee approved an allocation of $75 million for the future retirement of the pension obligation. Subsequently, in accordance with subsection 8 (6) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*, which requires the balance in the Debt Retirement Fund to be transferred to the Operating Fund at least once every 5 years for the purpose of reducing general purpose debt, the Government transferred $202 million from the Debt Retirement Fund to the Operating Fund. This transfer comprised the fund balance of $180 million as at March 31, 2004 plus the 2004/05 net transfer in of $22 million including interest earned to the date of transfer in April 2004.

THE FARM MACHINERY AND EQUIPMENT ACT FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2004
(with comparative figures for the year ended March 31, 2003)

	2004 $	2003 $
Balance, beginning of year	454,286	454,286
RECEIPTS:		
Premiums	-	-
DISBURSEMENTS:		
Claims	450,000	-
Balance, end of year	4,286	454,286

FISCAL STABILIZATION FUND

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management of the Department of Finance and have been prepared in accordance with generally accepted accounting principles. These accounting principles have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding estimates and all other data available up to September 27, 2004.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to properly safeguard assets of the Fund.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

Deputy Minister of Finance (Acting)
September 27, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

I have audited the statement of financial position of the Fiscal Stabilization Fund as at March 31, 2004 and the statement of revenue and fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
September 27, 2004

Jon W. Singleton, CA•CISA
Auditor General

FISCAL STABILIZATION FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2004
(in thousands)

	2004 $	2003 $
ASSETS		
Funds on Deposit with the Minister of Finance	78,881	235,514
FUND BALANCE		
Fund Balance	78,881	235,514

FISCAL STABILIZATION FUND
STATEMENT OF REVENUE AND FUND BALANCE

For the Year Ended March 31, 2004
(in thousands)

	2004 $	2003 $
Revenue		
Interest Income	2,232	7,003
Fund Balance, beginning of year	235,514	247,254
	237,746	254,257
Transfers		
Transfer from the Operating Fund (Note 2)	12,635	3,519
Transfer to the Operating Fund (Note 3)	(171,500)	(22,262)
	(158,865)	(18,743)
Fund Balance, end of year	78,881	235,514

FISCAL STABILIZATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

1. Incorporation and Function

The Fiscal Stabilization Fund was established at March 31, 1989, under the authority of The Fiscal Stabilization Fund Act, which received Royal Assent on December 13, 1989. The legislated purpose of the Fund is to assist in stabilizing the fiscal position of the government from year to year and to improve long-term fiscal planning. Under the provisions of the Act, the government may deposit in the Fund any part of the revenue or other financial assets received in the Operating Fund in any fiscal year and shall credit to the Stabilization Fund any earnings from investment of the Stabilization Fund. All or part of the fund balance can be transferred to the Operating Fund in accordance with the provisions of the Act.

On August 18, 2000, the Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act was passed amending The Balanced Budget, Debt Repayment and Taxpayer Protection Act, with related amendments to The Fiscal Stabilization Fund Act and The Financial Administration Act.

2. Transfer from the Operating Fund

The Balanced Budget, Debt Repayment and Taxpayer Accountability Act and The Fiscal Stabilization Fund Act require any Operating Fund positive balance to be transferred to the Fund until its target level is reached. The Minister of Finance has the authority to transfer additional positive balances to the Fund as he considers appropriate. The target level for the Fiscal Stabilization Fund is a minimum of 5% of the expenses of the Operating Fund or approximately $372 million, based on 2003-2004 expenses. As reported in the Public Accounts of the Province of Manitoba for 2003-2004, the Operating Fund had a positive balance of $13 million which was transferred to the Fiscal Stabilization Fund.

3. Transfer to the Operating Fund

Under section 4 of The Fiscal Stabilization Fund Act, the Minister of Finance, with the approval of the Lieutenant Governor in Council, may transfer once in each fiscal year all or any amounts standing to the credit of the Fund to the Operating Fund to assist in stabilizing the fiscal position of the government. The actual draw from the Fiscal Stabilization Fund for the 2003-2004 fiscal year was $171 million.

4. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

LAND TITLES ASSURANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2004
(with comparative figures for the year ended March 31, 2003)

	2004 $	2003 $
Balance, beginning of year	402,537	369,735
RECEIPTS:		
Fees	311,414	32,802
DISBURSEMENTS:		
Payments	570,752	-
Balance, end of year	143,199	402,537

MANITOBA LAW REFORM COMMISSION
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2004
(with comparative figures for the year ended March 31, 2003)

	2004 $	2003 $
Balance, beginning of year	28,858	3,108
RECEIPTS:		
Department of Justice	70,000	60,000
Law Society of Manitoba	10,500	-
Manitoba Law Foundation	100,000	100,000
	180,500	160,000
DISBURSEMENTS:		
Operating expenses	173,800	134,250
Balance, end of year	35,558	28,858

THE MINING COMMUNITY RESERVE
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2004
(with comparative figures for the year ended March 31, 2003)

	2004 $	2003 $
Balance, beginning of year	15,235,777	18,058,090
RECEIPTS:		
Transfer of Mining Tax Revenues	612,720	463,589
Interest received during the year	441,629	444,547
	1,054,350	908,136
DISBURSEMENTS:		
Hudson Bay Mining and Smelting Company Ltd	-	-
Local Government District of Lynn Lake	-	-
Ruttan Worker Adjustment Committee	150,000	750,000
Town of Leaf Rapids	50,000	391,450
Town of Lynn Lake	161,975	37,318
Transfer to General Revenue	2,083,717	2,551,681
	2,445,692	3,730,449
Balance, end of year	13,844,435	15,235,777

THE MINING REHABILITATION RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2004
(with comparative figures for the year ended March 31, 2003)

	2004 $	2003 $
Balance, beginning of year	33,594	23,003
RECEIPTS:		
Royalties	80,000	10,000
Interest	943	591
	80,943	10,591
Balance, end of year	114,537	33,594

PENSION ASSETS FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2004

	2004	2003 $
ASSETS		
Funds on Deposit:		
Minister of Finance (Note 2a)	967,084	129,012
Civil Service Superannuation Fund (Note 2b)	126,630,485	72,214,104
Teacher's Retirement Allowances Fund (Note 2c)	139,560,136	78,364,273
	267,157,705	150,707,389
FUND BALANCE		
Fund Balance	267,157,705	150,707,389

PENSION ASSETS FUND
STATEMENT OF RECEIPTS, EXPENSES AND FUND BALANCE

For the Year Ended March 31, 2004

	2004	2003 $
RECEIPTS		
Contributions:		
Debt Retirement Fund (Note 3a)	75,000,000	48,178,500
Special Operating Agencies (Note 3b)	1,528,373	1,672,763
Operating Fund (Note 3c)	1,168,623	101,886
Crown Organizations (Note 3c)	302,433	26,816
Investment earnings (loss)	38,802,328	(6,139,815)
	116,801,757	43,840,150
DISBURSEMENTS		
Management fees	351,441	212,523
Excess of receipts over disbursements	116,450,316	43,627,627
Fund Balance, beginning of year	150,707,389	107,079,762
Fund Balance, end of year	267,157,705	150,707,389

PENSION ASSETS FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

1. Incorporation and Function

The Pension Assets Fund was established under the authority of The Balanced Budget, Debt Repayment and Taxpayer Accountability Act. The purpose of the Fund was to set aside designated assets, pursuant to section 8 of the Act, for the future retirement of the government's pension liability.

2. Funds on Deposit

a) Funds on deposit with the Minister of Finance are pooled with other available funds of the Province for investment purposes and are accorded a market rate of interest.

b) Under the terms of a March 6, 2001 agreement between the Province and the Civil Service Superannuation Board, a trust fund was established with the Board for the purpose of holding and investing funds received from the Province. This trust account earns investment income at a rate equal to the rate of return earned by the Civil Service Superannuation Fund, and is charged an investment management fee for the services provided.

c) Under the terms of a September 13, 2001 agreement between the Province and the Teachers' Retirement Allowances Fund, a trust fund was established with the Fund for the purpose of holding and investing funds received from the Province. This trust account earns investment income at a rate equal to the rate of return earned by the Teachers' Retirement Allowances Fund, and is charged an investment management fee for the services provided.

3. Contributions

a) The government transferred $75 million (2003 – $48 million) to the Pension Assets Fund from the Debt Retirement Fund for the specific purpose of reducing pension obligations. This transfer was made in accordance with subsection 8(6) of the Balanced Budget, Debt Repayment and Taxpayer Accountability Act.

b) Effective March 31, 2001, pursuant to an agreement between the Province and Special Operating Agencies (SOAs) with unfunded pension liabilities, the pension liabilities of those agencies were transferred to the Province subject to certain conditions. The SOAs transferred to the Province funds equal to the net assets required to discharge their pension obligations as at March 31, 2001, and commencing April 1, 2001 are required to remit to the Province an amount equal to their employees' current pension contributions.

c) Effective October 1, 2002, government departments and certain crown organizations are required to provide amounts equal to their new employees' current pension contributions.

4. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

THE QUARRY REHABILITATION RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2004
(with comparative figures for the year ended March 31, 2003)

	2004 $	2003 $
Balance, beginning of year	5,506,907	5,394,615
RECEIPTS:		
Royalties	1,404,205	1,431,902
Interest	135,424	120,829
	1,539,629	1,552,731
DISBURSEMENTS:		
Rehabilitation payments	1,635,868	1,440,439
Balance, end of year	5,410,668	5,506,907

THE VETERINARY SCIENCE SCHOLARSHIP FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2004
(with comparative figures for the year ended March 31, 2003)

	2004 $	2003 $
Balance, beginning of year	2,620	25
RECEIPTS:		
Department of Agriculture - Veterinary Services Branch	14,000	11,700
Repayment of bursaries	1,713	6,255
	15,713	17,955
DISBURSEMENTS:		
Payment of bursaries awarded under the Veterinary Science Scholarship Act	16,800	15,360
Balance, end of year	1,533	2,620

VICTIMS ASSISTANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2004
(with comparative figures for the year ended March 31, 2003)

	2004 $	2003 $
Balance, beginning of year	2,037,349	1,543,397
RECEIPTS:		
Surcharge on Provincial Fines	2,903,806	1,638,509
Interest	54,378	27,700
Miscellaneous	-	-
	2,958,184	1,666,209
DISBURSEMENTS:		
Operating expenses	3,116,201	1,172,257
Balance, end of year	1,879,332	2,037,349

CROWN ORGANIZATIONS

PRICEWATERHOUSECOOPERS

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Telephone +1 (204) 926 2400
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June 1, 2004

Auditors' Report

To the Board of Governors of Addictions Foundation of Manitoba

We have audited the balance sheet of **Addictions Foundation of Manitoba** as at March 31, 2004 and the statements of revenue and expenses, changes in net assets, and cash receipts and cash disbursements for the year then ended. These financial statements have been prepared for filing with various regulatory authorities. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2004 and the results of operations and its cash flows for the year then ended in accordance with the accounting policies described in note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Board of Governors of Addictions Foundation of Manitoba and for filing with various regulatory authorities. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Addictions Foundation of Manitoba

(incorporated under the laws of Manitoba)

Balance Sheet

As at March 31, 2004

	2004 $	2003 $
Assets		
Current assets		
Cash	2,293,882	1,260,880
Accounts receivable	195,305	195,444
Prepaid insurance	14,697	12,740
Total current assets	2,503,884	1,469,064
Capital assets (note 3)	2,759,509	2,914,658
Province of Manitoba vacation pay receivable (note 2)	667,567	667,567
Province of Manitoba severance pay receivable (note 2)	1,153,316	1,153,316
Province of Manitoba long-term pension funding commitments (note 2)	12,344,417	11,375,070
Total non-current assets	16,924,809	16,110,611
Total assets	19,428,693	17,579,675
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	899,575	385,363
Accrued vacation pay (note 2)	940,611	937,491
Deferred contributions (note 4)	46,700	101,500
Total current liabilities	1,886,886	1,424,354
Accrued severance pay (note 2)	1,435,499	1,334,821
Provision for employee pension benefits (note 2)	12,344,417	11,375,070
Total non-current liabilities	13,779,916	12,709,891
Total liabilities	15,666,802	14,134,245
Net Assets		
Net assets invested in capital assets	2,759,509	2,914,658
Net assets internally restricted (note 5)	1,179,800	776,800
Unrestricted net assets	(177,418)	(246,028)
	3,761,891	3,445,430
	19,428,693	17,579,675

Approved by the Board of Governors

Chairman

Boyd G. Kramble Treasurer

Addictions Foundation of Manitoba

Statement of Revenue and Expenses

For the year ended March 31, 2004

	2004 $	2003 $
Revenue		
Government of the Province of Manitoba operating grant	12,834,700	11,741,600
Government of the Province of Manitoba long-term pension revenue (note 2)	930,242	915,041
Other revenue		
Impaired Drivers Program fees	642,638	571,625
Manitoba Lotteries Corporation Funding	2,027,000	1,811,900
School Support Program	330,300	237,600
Recovery of wages, medical and treatment services and travel expenses	842,596	593,114
Training course fees	96,984	92,387
Donations	18,248	10,803
Interest	70,661	54,232
Property rental	27,180	30,125
Manitoba Health capital funding	81,980	92,987
Parking rentals	17,890	17,929
Manitoba Government and General Employees' Union	6,627	3,427
Miscellaneous	17,212	13,818
Conferences	17,410	47,357
Youth Residential Programs	296,949	301,526
	18,258,617	16,535,471
Expenses (Schedule)	17,942,156	17,030,755
Excess (deficiency) of revenue over expenses	316,461	(495,284)

Addictions Foundation of Manitoba

Schedule of Expenses

For the year ended March 31, 2004

	2004 $	2003 $
Salaries	9,511,209	9,186,725
Wages	1,935,072	1,659,713
Advertising and exhibits	69,548	65,979
Amortization	185,210	198,846
Audio-visual aids	32,560	23,495
Audit	10,250	8,750
Board of Governors' honorarium	17,928	12,579
Books, newspapers and periodicals	33,952	31,114
Courier and freight	26,364	26,835
Educational literature	147,808	113,788
Employee benefits	1,035,975	997,474
Fees	435,310	370,681
Food supplies	304,405	296,070
Health and post secondary education tax levy	235,236	230,031
Household supplies	75,942	67,261
Materials, repairs and maintenance	605,613	538,771
Medical services and supplies	249,275	233,654
Miscellaneous	19,946	13,770
Pension (note 2)	1,394,975	1,344,445
Postage and telephone	290,243	288,435
Printing, stationery and office supplies	261,285	248,892
Rent, insurance and property taxes	354,743	351,719
Staff development	53,997	57,494
Training	18,898	26,458
Transportation of patients	17,762	15,884
Travel and automobile	411,407	437,025
Utilities	207,243	184,867
	17,942,156	17,030,755

Addictions Foundation of Manitoba

Statement of Changes in Net Assets

For the year ended March 31, 2004

	2004				2003
	Invested in capital assets $	Internally restricted $	Unrestricted $	Total $	Total $
Balance - Beginning of year	2,914,658	776,800	(246,028)	3,445,430	3,940,714
Excess (deficiency) of revenue over expenses	(185,210)	-	501,671	316,461	(495,284)
Investment in capital assets	30,061	-	(30,061)	-	-
Internally imposed restrictions (note 5)	-	403,000	(403,000)	-	-
Balance - End of year	2,759,509	1,179,800	(177,418)	3,761,891	3,445,430

Addictions Foundation of Manitoba

Statement of Cash Receipts and Cash Disbursements

For the year ended March 31, 2004

	2004 $	2003 $
Cash provided by (used in)		
Operating activities		
Cash receipts from the Government of the Province of Manitoba	12,834,700	11,741,600
Other cash receipts	4,439,014	3,977,492
Cash paid to employees and suppliers	(16,210,651)	(15,695,747)
	1,063,063	23,345
Investing activities		
Purchase of capital assets	(30,061)	(86,132)
Excess (deficiency) of cash receipts over cash disbursements	1,033,002	(62,787)
Cash - Beginning of year	1,260,880	1,323,667
Cash - End of year	2,293,882	1,260,880

1 Nature of the Foundation

The Foundation is incorporated under the Addictions Foundation of Manitoba Act. The Foundation is the provincial authority responsible for providing prevention, education and treatment programs related to addictions to individuals and communities; for conducting research into the negative effects of addictions; and in so doing, for promoting the health and well-being of Manitobans. In this respect, the Foundation is dependent upon funding from the Government of the Province of Manitoba. The Foundation is a registered charity within the meaning of the Income Tax Act.

2 Significant accounting policies

The financial statements have been prepared in accordance with the significant accounting policies as set out below. Transactions and balances not specifically addressed by these accounting policies have been accounted for in accordance with Canadian generally accepted accounting principles.

Basis of accounting

The primary purpose of these financial statements is to meet the requirements of the Addictions Foundation of Manitoba Act to produce an annual report and to meet the specific needs of the Province of Manitoba (the Province). Therefore, these financial statements are not for a general purpose and as such were not intended to be prepared on the basis of Canadian generally accepted accounting principles (GAAP). The Foundation would be required to modify the way it has accounted for pensions and severance pay obligations had the financial statements been prepared solely under Canadian GAAP.

Net assets internally restricted

Net assets internally restricted represent commitments for future expenditures on projects and capital expenditures approved in the current year. At the time the commitments are settled, expenditures are recorded in the balance sheet or statement of revenue and expenses as appropriate and the restrictions are reversed.

Province of Manitoba vacation pay receivable

The Foundation records a liability with respect to vacation pay entitlements accrued and unused as at year end. This amount is based on current remuneration.

The Foundation was instructed by the Province to record a receivable from the Province and accrue vacation pay liability as at March 31, 1995 for the amount of $667,567. Any subsequent variances in the vacation pay liability are recorded in the statement of revenue and expenses as the receivable from the Province will remain fixed.

Province of Manitoba severance pay receivable

The Foundation is obligated to pay its employees severance pay upon their retirement. The accrued severance pay liability is determined based on actuarial probability factors established by the Province.

The Foundation was instructed by the Province to record a receivable from the Province and accrue severance pay liability as at April 1, 1998 for the amount of $1,153,316. Any subsequent variances in the severance pay liability are recorded in the statement of revenue and expenses as the receivable from the Province will remain fixed.

Province of Manitoba long-term pension funding commitments

Since April 1, 2000, the Foundation records an obligation with respect to the pension plan which certain employees of the Foundation participate in. This obligation is determined by an actuarial valuation every three years with the liability for the intervening years determined using formulas provided by the actuary.

Since April 1, 2000, the Foundation has been instructed by the Province to record a receivable from the Province equal to the amount of the provision for employee pension benefits. The increase in the pension receivable is recorded as Government of the Province of Manitoba long-term pension revenue.

Pension costs

In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Foundation contributes approximately 50% of the pension disbursements made to retired employees of the Foundation. Pension costs for the year include the amount of this contribution as well as the increase in the unfunded pension liability during the fiscal year.

The pension liability is determined by an actuarial valuation every three years with the liability for the intervening years determined using formulas provided by the actuary. The most recent valuation is as at December 31, 2001.

For all new employees hired on or after October 1, 2002, the Foundation is required to pay to the Province a contribution as follows:

- 5.1% at pensionable earnings up to yearly maximum pensionable earnings (YMPE); plus
- 7% on pensionable earnings in excess of YMPE.

The Foundation recognizes a reduction in the Government of the Province of Manitoba long-term pension revenue for this equivalent contribution as incurred.

Capital assets

Purchased capital assets are recorded at cost and contributed capital assets are recorded at their fair value at the date of contribution. Amortization is provided at the following annual rates:

Buildings	5% declining
Computer equipment	30% declining
Furniture and equipment	20% declining
Leasehold improvements	5% declining

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as deferred contributions on the balance sheet until the year in which the related expenses are incurred, at which time they are recognized as revenue. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. With respect to recovery of wages, medical and treatment services, revenue is recognized upon completion of the related treatment.

3 Capital assets

	2004		2003	
	Cost **$**	**Accumulated amortization** **$**	**Cost** **$**	**Accumulated amortization** **$**
Land	535,065	-	535,065	-
Buildings	3,875,430	2,355,021	3,867,430	2,275,302
Computer equipment	505,206	349,753	497,947	284,687
Furniture and equipment	160,497	101,763	145,695	87,120
Leasehold improvements	621,425	131,577	621,425	105,795
	5,697,623	2,938,114	5,667,562	2,752,904
Net book value		2,759,509		2,914,658

4 Deferred contributions

	2004 $	2003 $
Balance - beginning of year	101,500	17,725
Add: Amount received in the current year related to the following year	46,700	101,500
Less: Amount recognized as revenue in the current year	(101,500)	(17,725)
Balance - end of year	46,700	101,500

5 Net assets internally restricted

	2004 $	2003 $
Balance - beginning of year	776,800	875,900
Operations		
Internal restrictions settled in the current year	(136,500)	(113,732)
Internal restrictions imposed for future years	539,500	14,632
	403,000	(99,100)
Balance - end of year	1,179,800	776,800

Internal restrictions have been imposed for the following:

	2004 $	2003 $
Client Database Software Project	-	30,000
Adult Prevalence Gambling Survey	80,000	-
Information Technology Project	273,800	-
Ontario Health Referrals potential cancellation	325,000	325,000
Pathways to a Healthier Workplace Conference	15,400	21,900
Provincial Technology Program	150,000	100,000
School-based Alcohol and Drug Survey	50,000	-
Youth Residential Program - Stabilization Fund	-	100,000
Youth Services	206,400	199,900
Accreditation Project	40,000	-
Human Resources Leave Management Project	20,000	-
Student Assistance Program Conference	19,200	-
	1,179,800	776,800

6 Commitments

Leases

The Foundation leases buildings and equipment under long-term operating leases which expire at various dates between 2005 and 2013. Certain leases contain renewal options at rates to be negotiated. Future minimum lease payments required under operating leases that have initial lease terms in excess of one year are as follows:

	$
2005	160,767
2006	141,681
2007	112,332
2008	88,405
2009 - 2013	78,571
	581,756

7 Contingencies

As at March 31, 2004, there are two legal claims against the Foundation. The potential liability, if any, to the Foundation is currently not determinable.

MNP
MEYERS NORRIS PENNY LLP

To the Members of the Board
Assiniboine Community College

AUDITORS' REPORT

We have audited the statement of financial position of Assiniboine Community College as at June 30, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2003 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP
Chartered Accountants

Brandon, Manitoba
August 28, 2003

an independent member of
BAKER TILLY

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2003
(in thousand $)

ASSETS	2003	2002
CURRENT		
Cash and short term investments (note 3)	1,185	1,198
Accounts receivable (note 4)	1,156	606
Due from Province of Manitoba (note 5)	523	511
Inventories (note 6)	583	434
Prepaids	592	446
	4,039	**3,195**
NON-CURRENT		
Due from Province of Manitoba (note 5)	1,999	1,999
PROPERTY, PLANT AND EQUIPMENT (note 7)		
Land, buildings and equipment	5,626	5,228
Library holdings	959	959
	6,585	**6,187**
	12,623	**11,381**

LIABILITIES AND NET ASSETS	2003	2002
CURRENT		
Accounts payable and accrued liabilities (note 8)	2,735	2,059
Deferred revenue (note 9)	934	836
	3,669	**2,895**
NON-CURRENT		
Accrued severance liability	1,496	1,431
DEFERRED CONTRIBUTIONS		
Deferred contributions related to property, plant and equipment (note 10)	2,948	2,550
NET ASSETS		
Net assets invested in property, plant and equipment	8,005	6,801
Net assets internally restricted (note 11)	840	959
Unrestricted net assets	(4,335)	(3,255)
	4,510	**4,505**
	12,623	**11,381**

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2003
(in thousand $)

	Budget (unaudited)	2003	2002
REVENUES			
Academic training fees	2,692	2,609	2,402
Grants	15,760	15,741	15,165
Market driven training	1,900	2,532	2,016
Continuing education	812	956	700
Ancillary services (bookstore)	1,101	1,093	1,162
Apprenticeship training	1,417	1,303	1,179
Other revenue	305	341	338
Amortization of deferred contributions	806	806	691
	24,793	**25,381**	**23,653**
EXPENDITURES			
Academic	15,610	15,720	13,768
Administration	4,532	4,767	4,644
Program support	936	957	955
Plant	365	369	361
Management information services	1,018	920	867
Library	293	316	292
Ancillary services	932	924	986
Amortization of property, plant and equipment	1,403	1,403	1,209
	25,089	**25,376**	**23,082**
EXCESS / (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE EXTRAORDINARY ITEMS	**(296)**	**5**	**571**
EXTRAORDINARY ITEMS			
Capital Grant Adjustment		-	(403)
EXCESS / (DEFICIENCY) OF REVENUE OVER EXPENDITURES AFTER EXTRAORDINARY ITEMS	**(296)**	**5**	**168**

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2003
(In thousand $)

	INVESTED IN CAPITAL ASSETS	INTERNALLY RESTRICTED	UNRESTRICTED	2003 TOTAL	2002 TOTAL
Balance - beginning of year	6,801	959	(3,255)	4,505	4,337
Excess of revenue over expenditures	-	-	5	5	168
Add: amortization of deferred contributions	806	-	(806)	-	-
Less: amortization of property, plant and equipment	(1,403)	-	1,403	-	-
Change in internally restricted net assets	-	(119)	119	-	-
Donated Assets	-	-	-	-	-
Investment in property, plant and equipment	1,801	-	(1,801)	-	-
Balance - end of year	8,005	840	(4,335)	4,510	4,505

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003
(in thousand $)

	2003	2002
Cash from operating activities		
Excess of revenues over expenditures	5	168
Amortization of property, plant and equipment	1,403	1,209
Amortization of deferred capital contributions	(806)	(691)
Loss on disposal of property, plant and equipment	-	-
Change in non-cash working capital items	(18)	471
Net cash generated through operating activities	**584**	**1,157**
Financing and investing activities		
Purchase of property, plant and equipment	(1,801)	(2,305)
Contributions received for capital purposes	1,213	1,125
Decrease in deferred contributions	(9)	(3)
Net cash used in financing and investing activities	**(597)**	**(1,183)**
Net increase (decrease) in cash and short term investments	**(13)**	**(26)**
Cash and short term investments, beginning of year	1,198	1,224
Cash and short term investments, end of year	**1,185**	**1,198**

ASSINIBOINE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(in thousand $)

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1. OPERATIONS

Assiniboine Community College operates under the authority of The Colleges Act, Chapter C150.1 of the Continuing Consolidation of the Statutes of Manitoba and is a registered charity under the *Income Tax Act*.

In accordance with the activities or objectives specified by donors and other sources outside the College, and in keeping with their mandate to operate the College, the Board of Governors may approve transfers between funds to achieve the financial objectives of the College. Effective June 1998, the Assiniboine Community College Foundation was created to administer the collection and disbursement of endowment funds and undertake fundraising events.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for non-profit organizations and recommendations set forth by the Canadian Association of University Business Officers. Significant accounting policies are as follows:

INVESTMENTS

Investments are recorded at the lower of cost or market value.

INVENTORIES

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT, AND EQUIPMENT

Property, Plant, and Equipment are recorded at cost. Amortization is provided using the straight-line method at 20% per annum for acquisitions prior to June 30, 2002. For acquisitions in 2002 and future years, amortization is provided using the straight-line method at the following rates:

Buildings:	2%
Leasehold improvements:	Term equal to the length of the lease plus one renewal term, or 2% per annum if no specified lease term
Computer systems:	20%
Computer equipment:	33%
Furniture and equipment:	10%

No amortization is taken in the year of acquisition. Contributed Property, Plant, and Equipment are recorded at the fair value at the date of contribution.

A base library was established as at April 1, 1993. Library holdings are accounted for using the "base stock" method with current library acquisitions not capitalized because annual library acquisitions net of annual library dispositions are not significant.

LEASES

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. The College evaluates all leases at the inception of the lease agreement to determine if it should be classified as a capital or operating lease. Where a capital lease is identified, the amount of the payment made each year is capitalized and amortized using the straight-line method over the lesser of five years or the remaining lease term. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

REVENUE RECOGNITION

The College uses the deferral method of accounting for contributions. Restricted contributions are deferred and matched with related expenses as incurred.

DEFERRED REVENUE

Revenue received in the current year, but not spent until the following fiscal year, is deferred and matched with the related expenditures.

DONATIONS

Donations are reported when received. Donations of Property, Plant, and Equipment are reported at fair market value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS

The College's financial instruments include accounts receivable and payable with short and long-term maturities. Unless otherwise noted, it is management's opinion that the College is not exposed to significant interest rate and credit risks arising from these instruments. Accounts receivable are not concentrated to any one or group of students or organizations. Likewise, trade payables are subject to normal credit terms and are not concentrated to any one or group of suppliers. Amounts relating to severance and vacation liabilities are not subject to interest, penalties or set terms of repayment.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

3. CASH AND SHORT TERM INVESTMENTS

Cash and short-term investments are summarized as follows:

	2003	2002
Cash	**219**	603
Term deposits - Department of Finance	**966**	595
	1,185	1,198

4. ACCOUNTS RECEIVABLE

	2003	2002
Accounts receivable are summarized as follows:		
Tuition and contract training	**906**	575
Goods and Services Tax rebate	**64**	29
Accountable advances and computer loans	**6**	2
	976	606

5. DUE FROM PROVINCE OF MANITOBA

The amounts due from the Province of Manitoba are summarized as follows:

	2003	2002
Current		
Property taxes	331	331
Accommodation cost-recovery system	180	180
Tuition rebate	12	-
	523	511
Non-current		
Vacation pay	875	875
Severance pay	1,124	1,124
	1,999	1,999
	2,522	2,510

The Province of Manitoba has guaranteed the receivable for severance and vacation pay in the amount of $1,999,250 (in actual $). The amount of this deferred funding was established in 1998 and was calculated as the severance and vacation pay owing at that time to employees for pre 1998 employee service. The amount of this receivable will not change as the liability for vacation and severance pay increases or decreases on an annual basis. The receivable is non-interest bearing and no payment terms have been established. To date, the College has paid out $345,355 in severance pay relating to pre 1998 employee service (in actual $). No payments have been received from the Province with respect to this receivable.

6. INVENTORIES

	2003	2002
Books and supplies	583	434

ASSINIBOINE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(in thousand $)

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7. PROPERTY, PLANT, AND EQUIPMENT

The following is a continuity schedule of Property, Plant, and Equipment:

	2003	2002
Net book value, beginning of year	**5,228**	4,084
Add: Purchases	**2,161**	2,305
Donated assets	**-**	48
Subtotal	**7,389**	6,437
Less: current year amortization	**(1,403)**	(1,209)
Net book value, end of year	**5,986**	5,228
Library holdings, at estimated value	**959**	959

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are summarized as follows:

	2003	2002
Trade payables	**1,128**	594
Accrued vacation pay	**1,607**	1,465
	2,735	2,059

9. DEFERRED REVENUE

	2003	2002
Deferred revenue is summarized as follows:		
Tuition and commitment fees	**362**	272
Contract training fees	**555**	377
Classroom rentals, parking and other deferrals	**17**	144
Grant Feasibility Study BMHC	**-**	30
CHCA Program	**-**	13
	934	836

10. DEFERRED CONTRIBUTIONS RELATED TO PROPERTY, PLANT, AND EQUIPMENT

Deferred contributions related to Property, Plant, and Equipment represent the unamortized portion of contributed Property, Plant, and Equipment and restricted contributions received from the Manitoba Council for Post-Secondary Education that were used to purchase the College's Property, Plant, and Equipment. Recognition of these amounts as revenue is deferred to periods when the related Property, Plant, and Equipment are amortized.

	2003	2002
The following is a continuity schedule of deferred contributions:		
Balance, beginning of year	**2,550**	2,070
Add: Capital contributions during the year:		
Government grant	**1,384**	3
Contributed net assets	**-**	48
Net additions for the year	**1,384**	51
Less: Current year amortization	**(806)**	(691)
Net book value, end of year	**3,128**	2,550

11. NET ASSETS INTERNALLY RESTRICTED

The following surplus appropriations/disbursements were approved by the Board of Governors during the year:

	General Operating Reserve	General Capital Reserve	General Technology Reserve	Total Reserve
OPENING BALANCE	450	168	341	959
BMHC feasibility study	(15)	-	-	(15)
Leasehold improvements for Practical Nursing, Winnipeg	-	(104)	-	(104)
Total Withdrawals	(15)	(104)	-	(119)
ENDING BALANCE	435	64	341	840

12. COMMITMENTS

The College has entered into various leases for classroom space, office equipment and a maintenance agreement for the Colleague computer system. The following represents the future payments:

2003/2004	430
2004/2005	248
2005/2006	193

13. PENSION COSTS AND OBLIGATIONS

The College's employees are eligible for membership in the Civil Service Superannuation Plan operated by the Province of Manitoba. Although this is a defined benefit pension plan, any experienced gains or losses determined by actuarial valuations are the responsibility of the Province of Manitoba. Accordingly, no disclosure has been made in the financial statements relating to the effects of participation in the pension plan by the College and its employees. Effective October 1, 2002, the College is responsible for paying their portion of the current pension costs on behalf of all employees enrolled in the Civil Service Superannuation Plan.

14. ECONOMIC DEPENDENCE

The College presently receives annual funding of approximately $16,814,000 ($15,895,000 in 2002) from the Province of Manitoba to finance operations and capital acquisitions (in actual $). Without such funding, future viability of the College is not assured.

15. INCOME TAXES

The College is exempt from income taxes.

16. GRANTS

	COPSE Grant	Manitoba Health Grant	Other Grants	Total Grants
Grants Received	16,814	-	194	17,008
Add:				
Release of deferred revenue	43	-	-	43
Adjustments	4	-	-	4
Deferred Capital Contributions	(1,019)	-	-	(1,019)
	15,842		194	16,036
Represented by:				
Base	15,547	-	194	15,741
Market Driven Training	295	-	-	295
	15,842			16,036

17. RELATED PARTY TRANSACTIONS

During the year the College provided a grant of $4,620 to Assiniboine Community College Foundation Inc. and received gifts in kind totaling $49,515 and a monetary donation totaling $25,000 from Assiniboine Community College Foundation Inc. (in actual $). The College also transferred $10,000 to the Assiniboine Campus-Community Radio Society Inc. during the year (in actual $).

18. CONSOLIDATION

The activities of the Assiniboine Community College Foundation Inc. and the Assiniboine Campus-Radio Society Inc. have not been consolidated with the accounts of Assiniboine Community College. The above entities are not controlled or significantly influenced by the College and are governed by their own Board of Directors. The effect of on the financial statements of the College, had these entities been consolidated, would be as follows (in actual $):

	Increase (Decrease)
Cash	2,070
Cash – restricted	4,816
Accounts receivable	69,102
Prepaids	1,159
Investments	728,476
Accounts payable	5,635
Deferred revenue	35,675
Deferred contributions	322,894
Unrestricted net assets	(4,801)
Endowment funds	467,732
Revenue	204,425
Expenditures	219,075

ASSINIBOINE COMMUNITY COLLEGE
SCHEDULE OF REVENUES
YEAR ENDED JUNE 30, 2003
(in thousand $)

Schedule 1

	Budget (unaudited)	2003	2002
Academic Training Fees			
Day program tuition fees	2,692	2,609	2,402
Grants			
Provincial (note 16)	15,760	15,741	15,165
Market Driven / Contract Training (schedule 2)	1,900	2,532	2,016
Continuing Education (schedule 3)	812	956	700
Ancillary Services (schedule 4)	1,101	1,093	1,162
Apprenticeship Training (schedule 5)	1,417	1,303	1,179
Sundry and Other Revenue			
Interest	75	82	66
Other	230	259	272
	305	341	338
Amortization of deferred capital contributions	806	806	691
Total Revenue	24,793	25,381	23,653

ASSINIBOINE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2003
(in thousand $)

Schedule 1
Continued

	Budget (unaudited)	2003	2002
Academic			
Salaries			
Instructional	9,854	9,635	8,532
Administrative	1,960	1,939	1,729
Program Support	115	120	111
Fringe Benefits	889	927	777
Operating	2,792	3,099	2,619
	15,610	15,720	13,768
Administration			
Salaries	1,802	2,015	1,978
Fringe Benefits	314	381	320
Operating	2,416	2,371	2,346
	4,532	4,767	4,644
Program Support			
Salaries	740	765	768
Fringe Benefits	65	65	65
Operating	131	127	122
	936	957	955
Plant			
Salaries	259	268	263
Fringe Benefits	24	25	24
Operating	82	76	74
	365	369	361
Management Information Services			
Salaries	627	563	558
Fringe Benefits	51	44	42
Operating	340	313	267
	1,018	920	867
Library			
Salaries	194	196	187
Fringe Benefits	16	17	16
Operating	83	103	89
	293	316	292
Ancillary Services (schedule 4)	932	924	986
Amortization of Property, Plant and Equipment	1,403	1,403	1,209
Total Operating Expenditures	25,089	25,376	23,082
Extraordinary Items:			
Capital Grant Adjustment	-	-	403
Total Operating including Extraordinary Items	25,089	25,376	23,485

ASSINIBOINE COMMUNITY COLLEGE
MARKET DRIVEN TRAINING
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2003

(in thousand $)

Schedule 2

	Budget (unaudited)	2003	2002
Revenue			
Tuition fee contracts	70	94	75
Contract training	1,548	2,062	1,840
Grants	274	365	100
Other revenue	8	11	1
Total Revenue	1,900	2,532	2,016
Expenditures			
Direct Expenditures			
Instructional salaries	1,034	1,128	694
Fringe benefits	14	96	56
Operating	248	626	613
	1,296	1,850	1,363
Indirect Expenditures			
Administrative salaries	261	232	216
Fringe benefits	16	18	17
Other operating	15	12	11
	292	262	244
Total Expenditures	1,588	2,112	1,607
Excess (Deficiency) of Revenue over Expenditures	312	420	409

Schedule 3

ASSINIBOINE COMMUNITY COLLEGE
CONTINUING EDUCATION
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2003
(in thousand $)

	Budget (unaudited)	**2003**	**2002**
Revenue			
Brandon campus	442	514	389
Dauphin campus	65	76	77
Regional Centres	305	366	234
Total Revenue	812	956	700
Expenditures			
Direct Expenditures			
Instructional salaries	339	363	302
Fringe benefits	33	29	24
Operating	164	190	124
	536	582	450
Indirect Expenditures			
Administrative salaries	439	439	203
Program support	0	0	152
Fringe benefits	37	36	31
Operating	128	115	105
	604	590	491
Total Expenditures	1,140	1,172	941
Excess (Deficiency) of Revenue over Expenditures	(328)	(216)	(241)

ASSINIBOINE COMMUNITY COLLEGE
ANCILLARY SERVICES
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2003
(in thousand $)

Schedule 4

	Budget (unaudited)	2003	2002
Revenue	1,101	1,093	1,162
Expenditures			
Cost of goods sold	814	788	877
Salaries & benefits	74	100	80
Operating	44	36	29
Total Expenditures	932	924	986
Excess (Deficiency) of Revenue over Expenditures	169	169	176

ASSINIBOINE COMMUNITY COLLEGE
APPRENTICESHIP
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2003

(in thousand $)

Schedule 5

	Budget (unaudited)	2003	2002
Revenue			
Tuition Revenue	1,417	1,303	1,179
Expenditures			
Direct Expenditures			
Instructional salaries	829	799	806
Fringe benefits	65	64	61
Operating	267	276	194
Total Expenditures	1,160	1,139	1,061
Excess (Deficiency) of Revenue over Expenditures	256	163	118

ASSINIBOINE COMMUNITY COLLEGE

BOARD MEMBERS COMPENSATION
YEAR ENDED JUNE 30, 2003
(in actual $)

Schedule 6

Kim Fallis	1,800
Nancy Garrioch	1,200
Jane Hunter	1,800
Perry Kalynuk	1,800
Louis Lapointe	1,800
Vince Lelond	1,800
Kenneth McKay	1,800
Allen Patterson	3,000
Brent Richards	1,800
Denise Richardson	1,800
Colleen Seymour	2,400
Wade Winmill	300
	21,300

THE BOARD OF ADMINISTRATION UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Management Report
December 31, 2003

The accompanying financial statements are the responsibility of the Board and have been prepared in accordance with Canadian generally accepted accounting principles.
In the Board's opinion, the financial statements have been properly prepared.

As the Board is responsible for the integrity of the financial statements, the Board has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss and that revenues are complete.

Caroline E Kaus

Caroline E. Kaus
Chairperson

Rudy Gerling
Accountant

February 20, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors under The Embalmers and Funeral Directors Act

We have audited the statement of financial position of the Board of Administration under The Embalmers and Funeral Directors Act as at December 31, 2003 and the statements of operations and changes in unrestricted net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
February 20, 2004

THE BOARD OF ADMINISTRATION
UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Statement of Financial Position
December 31, 2003

ASSETS	**2003**	**2002**
Current Assets		
Cash	$ 14,743	$ 17,819
Short Term Investments (note 4)	67,476	76,581
Accounts Receivable	-	105
Accrued Interest Receivable	403	312
	$ 82,622	$ 94,817

LIABILITIES AND UNRESTRICTED NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Liabilites	$ 2,863	$ 3,204
Deferred Revenue	23,400	26,300
	26,263	29,504
Unrestricted Net Assets	56,359	65,313
	$ 82,622	$ 94,817

Approved on behalf of The Board of Administration

Caroline Kaus
Caroline Kaus
Chairperson

Tracy Wevursky
Tracy Wevursky
Secretary-Treasurer

THE BOARD OF ADMINISTRATION UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Statement of Operations and Changes in Unrestricted Net Assets for the year ended December 31, 2003

	2003	2002
REVENUE		
Funeral Home Licences	$ 8,600	$ 8,500
Embalmer and Funeral Director Licences	22,000	22,100
Interest	1,104	1,014
	$ 31,704	$ 31,614
EXPENSES		
Audit	$ 2,600	$ 2,675
Honararia - Board Members	9,592	7,194
Honararia - Registrar	8,000	8,000
Miscellaneous	2,663	2,382
Board Meetings	8,404	7,216
Graduation and Examination	728	1,262
Communications	946	1,186
Office Supplies and Postage	904	1,673
Conferences	1,055	-
Legal Fees	5,766	252
	$ 40,658	$ 31,840
(Deficiency) of Revenue Over Expenses	$ (8,954)	$ (226)
Unrestricted Net Assets Beginning of the Year	65,313	65,539
Unrestricted Net Assets End of the Year	$ 56,359	$ 65,313

THE BOARD OF ADMINISTRATION
UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Statement of Cash Flows
For the year ended December 31, 2003

	2003	2002
Cash Flows from Operating Activities		
Licence Fees	$ 27,800	$ 37,300
Interest on Short Term Investments	1,014	1,413
Graduation and Examination Expenses	(728)	(1,262)
Audit Fees	(2,600)	(4,525)
Honoraria - Registrar	(8,000)	(8,000)
Honoraria - Board Members	(9,701)	(7,412)
Miscellaneous Expenses	(3,079)	(1,967)
Board Meetings	(8,537)	(7,229)
Communications	(944)	(1,154)
Conferences	(1,055)	-
Office Supplies and Postage	(917)	(1,608)
Legal Fees	(5,434)	(252)
Net Cash provided by (used in) Operating Activities	$ (12,181)	$ 5,304
Cash Flows from Investing Activities		
Purchases of Guaranteed Investment Certificates	$ (67,476)	$ (76,581)
Maturities of Guaranteed Investment Certificates	76,581	75,169
Net Cash provided by (used in) Investing Activities	$ 9,105	$ (1,412)
Net (Decrease) Increase in Cash	$ (3,076)	$ 3,892
Cash, beginning of the year	17,819	13,927
Cash, end of year	$ 14,743	$ 17,819

THE BOARD OF ADMINISTRATION UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Notes to Financial Statements
For the year ended December 31, 2003

1.) **Nature of Operations**
The Embalmers and Funeral Directors Act established The Board of Administration to licence and regulate Embalmers and Funeral Directors and to prescribe the courses of training and instruction for articling students.

2.) **Basis of Accounting**
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

3.) **Contributed Services**
During the year, the Province of Manitoba provided the services of administrative and accounting staff to the Board at no cost. Because of the difficulty of estimating the fair value of such services, no contributed services are recognized in the financial statements.

4.) **Short Term Investments**
Short Term Investments are carried at cost, which approximates market.

5.) **The Public Sector Compensation Disclosure Act**
In accordance with Section 2 of The Public Sector Compensation Disclosure Act, the following summarizes compensation paid during the twelve month period ended December 31, 2003:

(i) No individual received compensation of $50,000 or more;
(ii) The Board has no employees;
(iii) The aggregate amount paid to Board members was:

	2003	2002
(a) Honoraria, Board Members	$9,592	$7,194
(b) Honoraria, Registrar	$8,000	$8,000

BRANDON UNIVERSITY

Responsibility for Financial Statements

The Office of the Vice-President (Administration & Finance) of Brandon University is responsible for the preparation and presentation of the financial statements and accompanying notes. The financial statements are prepared in conformity with the accounting policies noted in the financial statements, and are reviewed and approved by the Board of Governors. The statements are examined by the Provincial Auditor of the Province of Manitoba, whose opinion is included herein.

To fulfil its responsibility, the University maintains internal control systems to provide reasonable assurance that relevant and reliable financial information is produced.

J. E. Deller

Terri Deller, B.A., LL.B.
Treasurer, Board of Governors

Scott J Lamont

Scott J. B. Lamont, CGA, MBA
Vice-President (Administration & Finance)

May 14, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Governors of Brandon University

We have audited the statement of financial position of Brandon University as at March 31, 2004 and the statements of changes in net assets, operations and cash flow for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2004, the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Jon W. Singleton, CA•CISA
Auditor General

Winnipeg, Manitoba
May 14, 2004

Brandon University

Statement of Financial Position
as at March 31, 2004

ASSETS

	2004	2003
Current Assets		
Cash and cash equivalents (note 3)	$ 5,361,207	$ 6,757,015
Accounts receivable	1,906,936	2,320,104
Inventory	403,936	352,661
Prepaid expenses	222,531	184,822
	7,894,610	9,614,602
Trust and Endowment Funds held by Brandon University Foundation (notes 2D and 4)	21,728,823	21,172,743
Loan receivable (note 8)	81,302	83,772
Investment in Subsidiary Company (notes 2E and 10)	1	218,188
Capital Assets and Collections (notes 2F and 6)	42,042,489	42,372,882
	$ 71,747,225	$ 73,462,187

LIABILITIES & NET ASSETS

	2004	2003
Current Liabilities		
Accounts payable and accrued liabilities	$ 4,012,937	$ 4,203,292
Due to WESTARC Group Inc. (note 11)	1	219,370
Deferred income	209,787	187,869
Deferred contributions (note 7)	2,654,653	2,717,732
Current portion of long term debt (note 12)	86,578	81,406
	6,963,956	7,409,669
Long term Liability		
Mortgages payable (note 12)	1,720,492	1,807,069
Deferred building contribution (note 7)		612,901
Unamortized Deferred Capital Contributions (note 7)	34,772,521	35,069,514
Trust and Endowment Funds (notes 2D and 4)	21,728,823	21,172,743
Net Assets		
Unrestricted net assets	614,189	1,729,911
Internally restricted net assets (note 5)	484,345	245,486
Investment in capital assets and collections	5,462,899	5,414,894
	6,561,433	7,390,291
	$ 71,747,225	$ 73,462,187

Approved by the Brandon University
Board of Governors on June 24, 2004

J. E. Deller

Treasurer

Vice-President (Administration & Finance)

The accompanying notes are an integral part of these financial statements.

Brandon University

Statement of Changes in Net Assets
for the year ended March 31, 2004

	Unrestricted Net Assets	Internally Restricted Net Assets	Investment in Capital Assets and Collections	Total 2004	Total 2003
Balance, beginning of year	$ 1,729,911	$ 245,486	$ 5,414,894	$ 7,390,291	$ 8,724,583
Change in accounting policy (note 19)					(1,517,251)
	1,729,911	245,486	5,414,894	7,390,291	7,207,332
Reclassify account balances	6,086			6,086	671
Restated balance, beginning of year	1,735,997	245,486	5,414,894	7,396,377	7,208,003
Excess/(deficit) of revenues over expenses	(853,784)			(853,784)	87,307
Direct increases to net assets					
Donations of capital assets			18,840	18,840	94,981
Transfers					
Internally funded					
Capital asset additions	(1,074,374)		1,074,374		
Capital asset disposals (net)	23,394		(23,394)		
Amortization	1,103,221		(1,103,221)		
Repayment of long term debt	(81,406)		81,406		
Allocation to internally restricted net assets	(305,553)	305,553			
Internally restricted net asset purchases	66,694	(66,694)			
Balance, end of year	$ 614,189	$ 484,345	$ 5,462,899	$ 6,561,433	$ 7,390,291

The accompanying notes are an integral part of these financial statements.

Brandon University

Statement of Operations
for the Year Ended March 31, 2004

	2004	2003
Revenues		
Tuition fees	$ 9,439,742	$ 9,413,683
Grants		
Council on Post-Secondary Education	23,670,973	22,183,494
Province of Manitoba	347,266	417,177
Government of Canada	1,366,790	1,197,739
City of Brandon		50,000
Sales of goods and services	4,870,643	4,624,272
Brandon University Foundation	1,163,429	1,335,284
Amortization of deferred capital contributions	1,551,629	1,454,012
Gain on disposal of capital assets		9,506
Miscellaneous	913,095	989,616
	43,323,567	41,674,783
Expenses		
Salaries - academic	15,308,506	14,044,472
Salaries - support	10,387,696	9,976,878
Benefits	3,799,625	3,371,474
Travel	1,534,792	1,488,807
Supplies and other expenses	5,477,077	5,201,674
Property taxes	1,121,339	1,399,884
Utilities	1,103,603	1,025,459
Cost of goods sold	1,786,967	1,752,983
Scholarships and bursaries	833,379	768,506
Interest on long term debt	135,181	140,028
Amortization expense	2,654,850	2,511,515
Loss on disposal of capital assets	18,363	
Loss of subsidiary	7,104	4,446
Increase/(decrease) in amount of accrued expenses	8,869	(98,650)
	44,177,351	41,587,476
Excess/(deficit) of revenues over expenses	$ (853,784)	$ 87,307

The accompanying notes are an integral part of these financial statements.

Brandon University

Statement of Cash Flow
for the Year Ended March 31, 2004

	2004	2003
Cash Provided By (Used In) Operating Activities		
Excess/(deficit) of revenues over expenses	$ (853,784)	$ 87,307
Items not affecting cash flow		
Amortization of deferred capital contributions	(1,551,629)	(1,454,012)
Amortization of capital assets	2,654,850	2,511,515
Loss/(gain) on disposal of capital assets	18,363	(9,506)
Loss of subsidiary	7,104	4,446
Decrease/(increase) in non-cash operating working capital	(120,615)	816,426
	154,289	1,956,176
Cash Provided By (Used In) Investing Activities		
Decrease in loan receivable	2,470	2,282
Transfer of retained earnings from Brandon University Holding Company Limited	211,083	
Capital asset additions	(2,347,850)	(6,531,615)
Proceeds on disposal of capital assets	5,031	11,784
	(2,129,266)	(6,517,549)
Cash Provided By (Used In) Financing Activities		
Long term debt repayments	(81,406)	(76,560)
Capital contributions received	660,575	1,275,033
	579,169	1,198,473
Decrease in cash and cash equivalents	(1,395,808)	(3,362,900)
Cash and cash equivalents, beginning of year	6,757,015	10,119,915
Cash and cash equivalents, end of year	$ 5,361,207	$ 6,757,015

The accompanying notes are an integral part of these financial statements.

1. Authority and Purpose

Brandon University operates under the authority of the Brandon University Act of the Province of Manitoba. Brandon University offers undergraduate programs in arts, science, education, music, and health studies; and offers graduate programs in education, music and rural development. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies and Reporting Practices

A. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

B. Revenue Recognition

Operating grants are recognized as revenue in the period received. Revenues received for the provision of goods and services are recognized in the period in which the goods are provided or the services rendered or substantially rendered.

The University accounts for contributions using the deferral method. Deferred contributions are externally restricted non-capital contributions which are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Externally restricted contributions for the acquisition of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received and, when expended, are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

C. Short Term Investments

Short term investments are recorded at cost and are unspent operating, capital and restricted funds that are invested to generate income used to fund general operations of the University. Short term investments also includes a mutual fund that provides a benefit provision for a former WESTARC employee as a part of that individual's contract of employment.

D. Trust and Endowment Fund

In order to consolidate fund raising activities and the administration of trust and endowment funds, Brandon University, Brandon University Foundation and Brandon University Alumni Association entered into an agreement in October 1989, which was updated in April 2001. The parties to the agreement recognize and agree that the University has exclusive and ultimate control over the consolidated assets and for the eventual disposition of all funds collected on its behalf in the future.

Funds transferred from the Brandon University Foundation to the University are recorded as revenue in the period they were received by the University.

The net change in the funds held by the Foundation, as a result of the Foundation's activities over the year, is added to Funds held by Brandon University Foundation and to the Trust and Endowment Fund.

E. Investment in Subsidiary Companies

The University accounts for its investment in the subsidiary companies in accordance with a modification of the equity method. Under this method, contributions to the subsidiary companies and earnings of the subsidiary companies are added to the investment in the subsidiaries. Dividends received from the subsidiary companies are deducted from the investment in the subsidiaries. The income or losses of the subsidiaries are included in the statement of operations.

F. Capital Assets and Collections

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at the fair market value on the date received. On the disposition of a capital asset, both the cost and any accumulated amortization are removed from the accounts.

Capital assets are amortized on a straight line basis over the estimated useful lives of the assets. Amortization rates are as follows:

Buildings	50 years
Furnishings and equipment	10 years
Computer equipment	5 years
Vehicles	5 years
Library collections	10 years

The capital assets include collections of works of art, gemstones and rare books which have been donated to the University. These collections are not amortized.

G. Inventory

Inventories are valued at the lower of cost and net realizable value.

H. Pension Plans

The University contributes to the Brandon University Retirement Plan which is a trustee-administered pension plan for University employees. Contributions by the University are recorded as expenses.

The accounts of the Brandon University Retirement Plan do not form part of the financial statements of the University. The Auditor General audits the financial statements of the Plan.

I. Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the allowance for doubtful accounts and determination of useful lives of capital assets for amortization. Actual results could differ from these estimates.

3. Cash and Cash Equivalents

Cash and cash equivalents are summarized as follows:

	2004	2003
Cash	$4,315,818	$ 580,817
Short term investments	998,391	6,129,200
Mutual funds	46,998	46,998
	$5,361,207	$ 6,757,015

The fair market value of the short term investments and mutual funds is $ 1,055,004 (2003 -$ 6,180,340).

4. Funds Held by Brandon University Foundation

The trust and endowment funds held by the Brandon University Foundation of $21,728,823 as at December 31, 2003 have been included with the assets of the University. The investments of the Foundation are recorded at cost. The transactions from January 1, 2004 to March 31, 2004 which would have increased the fund balance by approximately $131,046 have not been included in these financial statements.

The value of outstanding pledges to the Foundation as at March 31, 2004 is $ 188,927 (2003 - $ 195,771). These will be recorded as revenue by the University when transferred to the University from the Foundation.

5. Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University for the following specific purposes:

	Opening Balance	Current Provision	Purchases	2004 Closing Balance
Ancillary enterprises	$ 184,835	$ 31,870	$ (24,844)	$ 191,861
Building renovations		226,083		226,083
Mail/Print services	1,350			1,350
Telephone replacement	19,685	47,600	(16,143)	51,142
Vehicle replacement	39,616		(25,707)	13,909
	$ 245,486	$ 305,553	$ (66,694)	$ 484,345

6. Capital Assets and Collections

	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
Land	$ 500,530	$	$ 500,530	$ 500,530
Buildings	63,308,251	(29,000,536)	34,307,715	34,741,913
Furniture and equipment	13,612,200	(9,383,484)	4,228,716	4,238,275
Library collections	6,413,191	(4,503,656)	1,909,535	1,815,011
Collections	1,095,993		1,095,993	1,077,153
	$ 84,930,165	$(42,887,676)	$ 42,042,489	$ 42,372,882

Capital asset additions during the year included donations in kind in the amount of $ 18,840 (2003- $ 94,981).

7. Deferred Contributions and Unamortized Deferred Capital Contributions

Deferred contributions represent contributions received for special purposes and unspent funds for restricted purposes. Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods and matched against the applicable amortization charged in that period. Changes in the deferred contributions and unamortized deferred capital contributions balances are as follows:

	2004 Deferred Contributions	2004 Unamortized Deferred Capital Contributions	2003 Deferred Contributions	2003 Unamortized Deferred Capital Contributions
Balance, beginning of year	$ 3,330,633	$ 35,069,514	$ 7,579,808	$ 31,020,340
Contributions received	7,005,844		7,428,042	
Transfers to revenue				
Tuition, grants and contributions	(6,427,188)		(6,174,031)	
Amortization of assets acquired from capital assets		(1,551,629)		(1,454,012)
Transferred to acquire capital assets	(1,254,636)	1,254,636	(5,503,186)	5,503,186
Balance, end of year	$ 2,654,653	$ 34,772,521	$ 3,330,633	$ 35,069,514
Balance consists of:				
Research	$ 1,628,957		$ 1,675,401	
Special programs	1,025,696		1,042,331	
Capital			612,901	
	$ 2,654,653		$ 3,330,633	

The deferred capital contribution is the balance of a one time grant received in March, 2001 from the Council on Post-Secondary Education for the expansion of the health studies facilites.

8. Loan Receivable

The University issued a loan of $96,240 to Bran-U-Day Care Inc. on April 1, 1995 to cover the remaining debt on the building. The terms are monthly installments of $694.92 due on the 1st day of each month with the entire amount due on the 1st day of April, 2005. The rate of interest is 8.125% for this 5 year period.

The loan receivable as at March 31, 2004, was $ 81,302 (2003- $83,772).

9. Pension Plans

The Brandon University Retirement Plan is a final average contributory defined benefit pension plan established April 1, 1974 for the benefit of the employees of Brandon University. The assets of the Plan are held by CIBC Mellon Global Securities Services Company in the name of ten trustees - eight elected by and from the Plan membership and two appointed by the Board of Governors. The trustees oversee the administration of the Plan and set forth the investment guidelines. Their obligations and responsibilities are defined in a trust agreement with Brandon University. Connor, Clark & Lunn Investment Management Ltd. invests the Plan assets according to an agreement with the trustees and as required by law. The Plan is registered with the Pension Commission of Manitoba and meets the requirements of the Pension Benefits Act of Manitoba. Unless otherwise stated, all Brandon University employees are eligible to become members of the Plan on their date of employment. Full-time and certain part-time employees are required to join the Plan. Membership is optional for other part-time and certain specified employees. The Plan receives its funds from the contributions of members, the required and special contributions of Brandon University and the income from investments.

Actuarial valuations of the Brandon University Retirement Plan are carried out every three years and provide an estimate of the accrued pension benefits. The actuarial present value of accrued pension benefits was determined using the accrued benefit method prorated on service and using assumptions recommended by the actuary and approved by the Trustees. Based on the latest actuarial valuation of the plan conducted by Eckler Partners Ltd., a firm of consulting actuaries, as at December 31, 2003 the accrued pension benefits were $75,220,000. This valuation established a Plan surplus of $2,819,000 using the accrued benefit method as at that date. The next actuarial valuation is required as at December 31, 2006 and will be completed in 2007.

The actuarial present value of pension benefits as at December 31, and the principal components of changes in the actuarial present values during the year, were as follows:

	(in thousands of dollars) 2003	2002
Actuarial present value of accrued pension benefits, beginning of year	$ 70,880	$ 66,831
Interest accrued on benefits	4,682	4,409
Benefits accrued	2,779	2,644
Benefits paid	(2,952)	(3,004)
Benefit increase	400	
Actuarial gain	(569)	
Actuarial present value of accrued pension benefits, end of year	$ 75,220	$ 70,880

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant actuarial assumptions used in the valuation at December 31, 2003 were:

Rate of return on investments	-pre-retirement	6%
	-post-retirement	6%
Rate of salary increases		4%

The actuarial value of net assets available for pension benefits has been determined at amounts that reflect long-term market trends (consistent with the assumptions underlying the valuation of accrued pension benefits). The valuation is based on a four-year moving average market method. Under this method, the market value is the underlying basis, and gains or losses are amortized over a four year period.

The actuarial values of net assets as at December 31 were:

	(in thousands of dollars) **2003**	**2002**
Market value of net assets available for pension benefits	$ 77,124	$ 69,540
Market value changes not reflected in the actuarial value of net assets	915	3,477
Actuarial value of net assets available for pension benefits	$ 78,039	$ 73,017

Pension contributions by the University for the year ended March 31, 2004 were $ 1,438,865 (2003 - $ 1,171,027).

10. Investment in Subsidiary Companies

Brandon University Holding Company Limited was incorporated in 1985 as a wholly-owned subsidiary company of Brandon University. The Holding Company was established for the purpose of holding shares in subsidiary companies.

WESTARC Group Inc., a wholly-owned subsidiary company of Brandon University Holding Company Limited, was incorporated in 1985. WESTARC Group Inc. was established to disseminate expertise from the University to the public and private sectors. On August 16, 2001, the Board of Governors of Brandon University approved a resolution that control of WESTARC Group Inc., including assets, obligations and operations be transferred to the Board of Governors of Brandon University, and that the Board of Directors of WESTARC Group Inc. be dissolved.

As at March 31, 2004, WESTARC Group Inc. is no longer an active company therefore the investment in Brandon University Holding Company Limited was transferred to Brandon University.

The following is a summary of the investment in Brandon University Holding Company Limited for the year ended March 31, 2004:

	2004	**2003**
Investment, beginning of year	$ 218,188	$ 222,634
Net loss from operations	(7,104)	(4,446)
Transfer investment in subsidiary to Brandon Unversity	(211,083)	
Investment, end of year	$ 1	$ 218,188

11. Related Party Transactions

As at March 31, 2004, there was an amount of $1 (2003 - $ 219,370) due to WESTARC Group Inc. from Brandon University.

12. Long Term Liability - Mortgages Payable

	2004	2003
Canada Mortgage and Housing Corporation 5 1/8% mortgage, $41,608 combined principal and interest payable semi-annually July 1 and January 1 to 2012.	$ 567,626	$ 619,738
Canada Mortgage and Housing Corporation 8 1/4% mortgage, $66,686 combined principal and interest payable semi-annually April 1 and October 1 to 2021.	1,239,444	1,268,737
	1,807,070	1,888,475
Current portion of long term debt	86,578	81,406
	$ 1,720,492	$ 1,807,069

Principal payments in the next five years are as follows:

2005	$ 86,578
2006	$ 92,097
2007	$ 97,990
2008	$ 104,282
2009	$ 111,001

13. Brandon Centennial Auditorium Corporation Inc.

Under an arrangement between the University, the Province of Manitoba and the City of Brandon, the University built an Auditorium on its property for the benefit of the citizens of Western Manitoba. The expenditures for the building and furnishings were financed from contributions by the Governments of Canada and Manitoba, the City of Brandon and citizens through fundraising campaigns.

The Auditorium has been leased to the Brandon Centennial Auditorium Corporation Inc. for a nominal consideration of $1 under a 99 year lease which expires 2064 A.D. The University is reimbursed for services supplied to the auditorium as required by the agreement.

14. Knowles-Douglas Student Union Centre

The Knowles-Douglas Student Union Centre has been leased to the Knowles- Douglas Student Union Centre Inc. for the nominal consideration of $1 per year under a 50 year lease which expires 2035 A.D. The University supplies certain services to the Centre as required by the lease.

15. Commitments

An agreement between the University and the Brandon University Students' Union Inc. provides for the equal sharing of profits of the University's bookstore operations. The Students' Union share of profits amounted to $64,490 for the year ended March 31, 2004 (2003 - $65,895).

16. Accrued Expenses

The following expenses have been accrued and will be funded from future revenues:

	2004	2003
Unfunded employee benefits - vacation accruals	$ 611,770	$ 579,259
Unfunded employee future benefits	633,000	587,000
Unfunded property taxes	207,251	276,893
	$ 1,452,021	$ 1,443,152

17. Employee Future Benefits

Accounting standards require the use of accrual accounting for costs related to employee future benefits. These non-pension benefits include severance and retiring allowance benefits payable upon retirement. The costs of these future benefits have been determined by an actuary and the costs will be recognized over the service life of the employees or the period to full eligibility of the employee group depending on the type of cost.

The actuarial valuation provides the present value of benefit obligations as well as the current cost and the interest cost on the benefit obligation. This accrued benefit obligation has not been funded.

	2004	2003
Accrued benefit obligation, beginning of year	$ 587,000	$ 548,000
Employer accrual	29,000	29,000
Benefit payments	(21,000)	(35,000)
Interest at 6.5%	38,000	37,000
Accrued benefit obligation, end of year	633,000	579,000
Accrued benefit obligation, restated at 6.5%		8,000
Accrued benefit obligation, as restated	$ 633,000	$ 587,000

18. Financial Instruments

The financial instruments of the University consist of cash and cash equivalents, accounts receivable, long-term investments, accounts payable, amounts due to (from) related parties and long-term debt. Unless otherwise noted, it is management's opinion that the University is not exposed to significant interest, currency or credit risks arising from these financial instruments.

19. Change in Accounting Policy

Prior to 2003 the Accrued Expenses (note 16) were reported as Expenses Funded from Future Revenues in the Statement of Financial Position. A decision was made to expense these costs.

As a result of this change in policy, the prior periods have been adjusted retroactively, effective March 31, 2001. The result of this was to decrease the opening balance of Net Assets by $1,517,251 as at April 1, 2001 and decrease the March 31, 2003 closing balance by $1,443,153 (2002 - $1,541,803) and increase/(decrease) the excess of revenues over expenses at March 31, 2003 by $98,650 (2002 - ($24,552)).

20. Restatement of Accounts

Comparative figures for the year ended March 31, 2003 have been restated where necessary to conform with the presentation adopted for the year ended March 31, 2004.

PRICEWATERHOUSECOOPERS

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May 14, 2004

Auditors' Report

To the Members of
CancerCare Manitoba

We have audited the statement of financial position of **CancerCare Manitoba** as at March 31, 2004 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of CancerCare Manitoba's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of CancerCare Manitoba as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

CancerCare Manitoba

Statement of Financial Position

As at March 31, 2004

				2004	2003
	General Fund $	**Building Fund $**	**Clinical and Basic Research Fund $**	**Total $**	**Total $**
Assets					
Current assets					
Cash	937,367	-	86,878	1,024,245	3,257,498
Short-term investments	3,818,355	-	-	3,818,355	3,782,326
Due from Manitoba Health (note 4)	909,138	-	-	909,138	1,108,282
Accounts receivable (note 5)	693,602	-	3,500,058	4,193,660	3,399,761
Interfund accounts	1,434,079	(827,888)	(606,191)	-	-
Prepaid expenses	332,492	-	-	332,492	274,863
Deferred charges - vacation	1,715,083	-	-	1,715,083	1,487,902
	9,840,116	(827,888)	2,980,745	11,992,973	13,310,632
Deferred charges - retirement entitlement obligations	1,646,660	-	-	1,646,660	1,366,475
Investments (note 10)	-	-	1,987,234	1,987,234	1,830,782
Fixed assets (note 7)	6,691,137	56,545,246	866,551	64,102,934	61,361,029
	18,177,913	55,717,358	5,834,530	79,729,801	77,868,918
Liabilities and Deferred Contributions					
Current liabilities					
Accounts payable and accrued liabilities	5,537,538	109,126	46,316	5,692,980	5,332,700
Due to Manitoba Health (note 4)	154,197	-	-	154,197	154,197
Deferred contributions (note 8) Expenses of future periods	2,568,160	-	-	2,568,160	2,466,058
	8,259,895	109,126	46,316	8,415,337	7,952,955
Deferred contributions - fixed assets (note 8)	5,434,774	55,608,232		61,043,006	60,000,591
Retirement entitlement obligations	1,646,660	-	-	1,646,660	1,366,475
	15,341,329	55,717,358	46,316	71,105,003	69,320,021
Fund Balances					
Invested in fixed assets	1,229,114	-	866,551	2,095,665	613,379
Externally restricted (note 9)	-	-	2,593,010	2,593,010	2,721,702
Internally restricted	-	-	2,328,653	2,328,653	2,277,828
Unrestricted	1,607,470	-	-	1,607,470	2,965,988
	2,836,584	-	5,788,214	8,624,798	8,578,897
	18,177,913	55,717,358	5,834,530	79,729,801	77,898,918

CancerCare Manitoba

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2004

				2004	2003
	General Fund $	**Building Fund $**	**Clinical and Basic Research Fund $**	**Total $**	**Total $**
Revenue					
Manitoba Health	47,599,318	-	-	47,599,318	40,109,498
Other recoveries	1,587,630	-	-	1,587,630	1,388,590
Grants	-	-	6,524,996	6,524,996	6,160,982
Amortization of deferred contributions	2,235,245	2,488,344	-	4,723,589	4,436,851
	51,422,193	2,488,344	6,524,996	60,435,533	52,095,921
Expenses					
Compensation	24,716,714	-	2,871,224	27,587,938	24,694,489
Medical remuneration	7,223,042	-	-	7,223,042	4,421,105
Medical remuneration retroactive adjustment (note 11)	1,717,179	-	-	1,717,179	-
Building occupancy	1,400,269	-	-	1,400,269	1,238,488
Amortization of fixed assets	2,235,245	2,488,344	209,347	4,932,936	4,599,459
General administration	2,024,711	-	-	2,024,711	1,827,304
Equipment rentals and maintenance	1,161,497	-	-	1,161,497	1,099,071
Supplies and other departmental expenses	2,528,903	-	3,327,138	5,856,041	5,235,110
Drugs	7,941,740	-	-	7,941,740	6,928,786
Referred-out services	849,045	-	-	849,045	721,449
	51,798,345	2,488,344	6,407,709	60,694,398	50,765,261
Excess (deficiency) of revenue over expenses for the year before investment income and prior year's recovery	(376,152)	-	117,287	(258,865)	1,330,660
Investment income	246,748	-	58,018	304,766	193,639
Prior years' recovery - Manitoba Health	-	-	-	-	416,947
Excess (deficiency) of revenue over expenses for the year	(129,404)	-	175,305	45,901	1,941,246
Fund balance - Beginning of year	2,965,988	-	5,612,909	8,578,897	6,637,651
Fund balance - End of year	2,836,584	-	5,788,214	8,624,798	8,578,897

CancerCare Manitoba

Statement of Cash Flows

For the year ended March 31, 2004

				2004	2003
	General Fund $	Building Fund $	Clinical and Basic Research Fund $	Total $	Total $
Cash provided by (used in)					
Operating activities					
Excess (deficiency) of revenue over expenses for the year	(129,404)	-	175,305	45,901	1,941,246
Amortization of fixed assets	2,235,245	2,488,344	209,347	4,932,936	4,599,459
Amortization of deferred contributions related to fixed assets	(2,235,245)	(2,488,344)	-	(4,723,589)	(4,436,851)
Loss (gain) on disposal of investments	-	-	(2,592)	(2,592)	30,963
Amortization of deferred contributions related to expenses of future periods	(28,660)	-	-	(28,660)	-
Net change in non-cash working capital items	70,961	(11,555)	(548,691)	(489,285)	(11,275,427)
	(87,103)	(11,555)	(166,631)	(265,289)	(9,140,610)
Investing activities					
Interfund transfers	(800,194)	117,308	682,886	-	-
Additions to fixed assets	(3,846,277)	(3,366,045)	(462,519)	(7,674,841)	(12,734,376)
Purchase of investments	-	-	(516,734)	(516,734)	(425,924)
Proceeds on disposal of investments	-	-	362,874	362,874	403,886
	(4,646,471)	(3,248,737)	66,507	(7,828,701)	(12,756,414)
Financing activities					
Deferred contributions related to fixed assets	1,673,281	3,260,292	-	4,933,573	18,907,315
Deferred contributions related to expenses of future periods	963,193	-	-	963,193	1,005,370
	2,636,474	3,260,292	-	5,896,766	19,912,685
Decrease in cash	(2,097,100)	-	(100,124)	(2,197,224)	(1,984,339)
Cash and short-term investments - Beginning of year	6,852,822	-	187,002	7,039,824	9,024,163
Cash and short-term investments - End of year	4,755,722	-	86,878	4,842,600	7,039,824

1 Purpose of the organization

CancerCare Manitoba is an agency established under The CancerCare Manitoba Act. CancerCare Manitoba maintains and co-ordinates a province-wide program for cancer prevention, diagnosis, treatment, education and research.

CancerCare Manitoba is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2 Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Fund accounting

CancerCare Manitoba follows the deferral method of accounting for contributions.

The **General Fund** accounts for CancerCare Manitoba's revenues and expenses related to program delivery and administrative activities.

The **Building Fund** reports the assets, liabilities, revenues and expenses related to CancerCare Manitoba's building expansion and renovation program.

The **Clinical and Basic Research Fund** reports grants received for specific clinical and basic research projects undertaken by CancerCare Manitoba.

Revenue recognition

Restricted contributions are recognized as revenue in the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the appropriate fund when received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Restricted and unrestricted investment income are recognized as revenue of the appropriate fund in the year in which the income was earned.

Grant revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investments

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

Fixed assets

Purchased fixed assets are recorded at cost. Contributed fixed assets are recorded at fair value at the date of contribution. Amortization is recorded on a straight-line basis over the assets' estimated useful lives, which for equipment is 5 - 20 years.

Included in the Building Fund are costs associated with the planning, design and construction of the new facility which have been recorded at cost. Amortization of the building is recorded on a straight-line basis over 40 years.

Deferred charges

Funding for vacation entitlements and pre-retirement leave is provided by Manitoba Health in the period in which the actual costs are paid. Accordingly, CancerCare Manitoba records a deferred charge equal to the estimated year end vacation pay liability and pre-retirement leave to its employees.

Contributed services

A number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Pre-retirement entitlement obligation

CancerCare Manitoba has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

a) have ten years of service and have reached the age of 55; or

b) have reached the age of 65; or

c) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee.

CancerCare Manitoba records the retirement obligation as a liability. Funding for the retirement entitlement is recoverable from Manitoba Health in the year of payment.

Pension expense

CancerCare Manitoba participates in the Healthcare Employees Pension Plan - Manitoba. Pension expense is equal to CancerCare Manitoba's annual funding of the pension plan.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual amounts could differ from those estimates.

3 Change in accounting policy

Effective April 1, 2003, CancerCare Manitoba adopted the recommendation from Manitoba Health with respect to the accounting for loans payable to the Province of Manitoba and contributions received for the periodic repayment of long-term debt, and applied the change retroactively, restating prior years. The effect of the change was to reclassify the debt owing to the Province of Manitoba from debt to deferred contributions - fixed assets. In addition, the related revenue earned from Manitoba Health to offset the interest expense and the related interest expense have been removed from the statement of operations.

Long-term debt at March 31, 2003 was reduced by $27,107,456. Deferred contribution - fixed assets at March 31, 2003 increased by $27,107,456. Manitoba Health revenue and interest expense both decreased by $1,280,259 for the year ended March 31, 2003.

4 Manitoba Health funding

In Globe funding

In Globe funding is funding approved by Manitoba Health for CancerCare Manitoba operations unless otherwise specified as Out of Globe funding. All costs must be absorbed from within the global funding provided.

That portion of an operating surplus that exceeds 2% of the In Globe funding is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the surplus may be retained by CancerCare Manitoba, or repaid to Manitoba Health.

Under Manitoba Health policy, CancerCare Manitoba is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe funding

Out of Globe funding is funding approved by Manitoba Health for specific programs such as medical remuneration, capital and interest costs and pre-retirement expenses.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by CancerCare Manitoba, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to CancerCare Manitoba. Any unapproved costs not paid by Manitoba Health are absorbed by CancerCare Manitoba.

At March 31, 2004, CancerCare Manitoba had a balance of $154,197 (2003 - $154,197) payable to Manitoba Health, representing that portion of the 2003 surplus repayable to Manitoba Health and a balance of $909,138 (2003 - $1,108,282) receivable from Manitoba Health as follows:

	2004 **$**	**2003** **$**
Due from Manitoba Health		
Current year's operating funding	163,540	90,253
Out of Globe		
2002/2003	-	27,910
2003/2004	470,783	-
Approved capital funding	274,815	990,119
	909,138	1,108,282

5 Accounts receivable

	2004				2003
	General Fund $	**Building Fund $**	**Clinical and Basic Research Fund $**	**Total $**	**Total $**
CancerCare Manitoba Foundation Inc.	107,389	-	2,180,814	2,288,203	2,148,079
Province of Manitoba	177,575	-	-	177,575	278,210
Winnipeg Regional Health Authority	-	-	186,192	186,192	313,603
Government of Canada	-	-	167,343	167,343	276,093
University of Manitoba	12,013	-	767,573	779,586	51,687
University Medical Group	361,593	-	-	361,593	49,043
Other	35,032	-	198,136	233,168	283,046
	693,602	-	3,500,058	4,193,660	3,399,761

6 CancerCare Manitoba Foundation Inc.

CancerCare Manitoba has an economic interest in CancerCare Manitoba Foundation Inc. (CCMF Inc.). At March 31, 2004, net resources of CCMF Inc. amounted to $24,077,982, of which $8,527,687 are restricted contributions. CCMF Inc.'s purpose is to support CancerCare Manitoba in its provision of a program of diagnosis of, treatment of, and research in respect of cancer. CCMF Inc. will solicit, receive, maintain and accumulate funds for distribution on a periodic basis to CancerCare Manitoba, to support principally research activities that are supplementary to those funded by Manitoba Health. During the year, CCMF Inc. contributed funds in the amount of $2,869,447 (2003 - $2,218,091) to CancerCare Manitoba.

7 Fixed assets

			2004	2003
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**	**Net** **$**
General Fund				
Equipment	22,479,175	15,788,038	6,691,137	5,080,105
Building Fund				
Building	54,138,936	4,668,118	49,470,818	48,527,115
Equipment	9,752,124	2,677,696	7,074,428	7,140,430
Clinical and Basic Research Fund				
Equipment	1,646,543	779,992	866,551	613,379
	88,016,778	23,913,844	64,102,934	61,361,029

8 Deferred contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent contributions for specific projects and other purposes:

	2004 $	2003 $
Balance - beginning of year	2,466,058	2,314,990
Add: Amount received related to future periods	963,193	1,005,370
Less: Amounts transferred to fixed assets	(832,431)	(854,302)
Less: Amounts amortized to revenue	(28,660)	-
	2,568,160	2,466,058

b) Fixed assets

Deferred contributions related to fixed assets represent the unamortized amount and unspent amount of contributions and grants received for the purchase of fixed assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2004 **$**	**2003** **$**
Balance - beginning of year, as previously reported	32,893,135	28,096,877
Change in accounting policy (note 3)	27,107,456	16,578,948
Balance - beginning of year, as restated	60,000,591	44,675,825
Additional contributions received	4,933,573	18,907,315
Add: Amounts transferred from expenses of future periods	832,431	854,302
Less: Amounts amortized to revenue	(4,723,589)	(4,436,851)
	61,043,006	60,000,591

The balance of unamortized capital contributions related to fixed assets consists of the following:

	2004 **$**	**2003** **$**
Unamortized fixed asset contributions used to purchase fixed assets	61,015,757	59,916,389
Unspent contributions	27,249	84,202
	61,043,006	60,000,591

9 Externally restricted fund balances

The major category of externally imposed restrictions on fund balances are as follows:

	2004 **$**	**2003** **$**
Restricted for research projects, education purposes and other specific purposes	2,593,010	2,721,702

10 Fair value of financial instruments

The carrying value of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the relatively short period to maturity of the instruments.

The fair values of investments are measured at the current market rates at March 31, 2004. The fair market value of investments at March 31, 2004 and 2003 is $2,402,520 and $2,130,227, respectively.

Management has reviewed currently available information regarding those investments whose market value is less than carrying value, and has determined that the carrying values are expected to be recovered. The carrying value of those investments is $292,792 and the market value is $262,376.

11 Medical remuneration retroactive adjustment

An agreement was reached with the physicians in August of 2003, retroactive to July 1, 2002, resulting in a one-time payment due to the physicians of $1,717,179 relating to work performed during the fiscal 2002/03 period. This amount was fully funded by Manitoba Health in the current year and paid out in full by CancerCare in October of 2003.

12 Comparative figures

Certain of the prior year's figures have been restated to conform with the current year's presentation.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of Le Centre Culturel Franco-Manitobain

We have audited the statement of financial position of Le Centre Culturel Franco-Manitobain as at March 31, 2004 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 31, 2004

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Financial Position

March 31	2004	2003
	$	$
Assets		
Current Assets		
Cash and bank	24,016	-
Grants receivable	17,309	46,141
Accounts receivable	42,882	37,846
Inventory	38,743	37,098
Prepaid expenses	13,047	20,501
	135,997	141,586
Non-Current Assets		
Accounts receivable – Province of Manitoba (Note 9)	25,891	25,891
Capital assets (Note 3)	69,775	71,749
	95,666	97,640
	231,663	239,226
Liabilities and Fund Balances		
Current Liabilities		
Bank indebtedness	-	56,323
Working capital advance - Province of Manitoba (Note 4)	100,000	-
Accounts payable and accrued liabilities	78,631	55,065
Deferred contributions (Note 5)	4,244	8,858
Rental and damage deposits	22,725	18,239
Capital lease obligation – current portion	-	13,513
	205,600	151,998
Deferred contributions related to capital assets (Note 6)	64,252	51,333
	269,852	203,331
Fund Balances		
Unrestricted Funds		
Operations	(86,917)	(58,834)
Cultural Programs	43,205	87,826
Invested in capital assets	5,523	6,903
	(38,189)	35,895
	231,663	239,226

Approved on behalf of the Board:

Gilbert Savard Director

Aurèle Fordart Director

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2004

	Operations	Cultural Programs	Capital	Fund Raising	2004	2003
	$	$	$	$	$	$
Revenue						
Grants						
Government of Manitoba	307,254	27,021	67,977	-	402,252	438,786
Government of Canada	-	174,534	-	-	174,534	206,520
Miscellaneous	-	17,594	-	-	17,594	29,960
Bingos	-	-	-	-	-	10,500
Café Jardin	250,759	-	-	-	250,759	307,754
Admission fees	-	24,616	-	-	24,616	28,413
Hall and office rental (Note 10)	161,050	-	-	-	161,050	137,921
Administration fees	248	6,500	-	-	6,748	10,827
Technical services	39,161	-	-	-	39,161	48,139
Sale of office supplies	9,887	-	-	-	9,887	7,381
Commissions	1,985	1,860	-	-	3,845	7,504
Interest	1,977	-	-	-	1,977	1,880
Advertising	-	975	-	-	975	2,039
Corporate sponsorships and donations	215	3,500	-	2,000	5,715	10,214
Miscellaneous (Note 12)	60,350	3,372	-	-	63,722	75,432
	832,886	259,972	67,977	2,000	1,162,835	1,323,270
Expenses						
Operations (Note 7)	592,965	306,593	-	-	899,558	976,001
Café Jardin	268,004	-	-	-	268,004	324,020
Repairs (Note 8)	-	-	29,898	-	29,898	43,887
Strategic planning	-	-	-	-	-	7,814
Amortization of capital assets	-	-	37,495	-	37,495	33,172
Interest on capital lease	-	-	1,964	-	1,964	1,964
Fundraising - Bingos	-	-	-	-	-	400
	860,969	306,593	69,357	-	1,236,919	1,387,258
Excess of revenue (expenses)	(28,083)	(46,621)	(1,380)	2,000	(74,084)	(63,988)
Fund balances, beginning of year	(58,834)	87,826	6,903	-	35,895	99,883
Interfund transfers	-	2,000	-	(2,000)	-	-
Fund balances, end of year	(86,917)	43,205	5,523	-	(38,189)	35,895

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Cash Flows

For the year ended March 31	2004	2003
	$	$
Cash flows provided by (used for) operating activities		
Excess of expenses	**(74,084)**	(63,988)
Amortization of capital assets	**37,495**	33,172
Amortization of deferred contributions related to capital assets	**(22,602)**	(17,962)
Net change in non-cash working capital items		
Grants receivable	**28,832**	13,664
Accounts receivable	**(5,036)**	30,453
Inventory	**(1,645)**	2,235
Prepaid expenses	**7,454**	(1,893)
Accounts payable and accrued liabilities	**23,566**	(35,100)
Deferred contributions	**(4,614)**	(29,430)
Rental and damage deposits	**4,486**	(1,167)
Net cash outflows for operating activities	**(6,148)**	(70,016)
Cash flows provided by (used for) financing and investing activities		
Purchase of capital assets	**(35,521)**	(20,601)
Contributions related to capital assets	**35,521**	2,000
Capital lease obligation	**(13,513)**	(13,512)
Working capital advance received from The Province of Manitoba	**100,000**	-
Net cash inflows (outflows) for financing and investing activities	**86,487**	(32,113)
Increase (decrease) in cash and bank for the year	**80,339**	(102,129)
(Bank indebtedness) cash and bank, beginning of year	**(56,323)**	45,806
Cash and bank (bank indebtedness), end of year	**24,016**	(56,323)

1. General Information

Le centre culturel franco-manitobain was incorporated under Chapter C45 of the Statutes of the Province of Manitoba. The Corporation's objects are to maintain, encourage, foster and sponsor, by all means available, all types of cultural activities in the french language and to make French-Canadian culture known to all residents of the province.

2. Accounting Policies

(a) Capital Assets

Acquired capital assets are stated at their acquisition cost less accumulated amortization and are amortized using the diminishing balance method at the following annual rates:

Technical equipment	20%
Computer equipment – pre 2001	30%
Kitchen equipment	20%
Cash registers	20%
Furniture and fixtures	20%
Security system	20%
Maintenance equipment	20%

Computer equipment acquired in 2001 at a cost of $79,052 is amortized on a straight-line basis over four years.

(b) Use of Building

The use of the building is accounted for as described in Note 10.

(c) Recognition of Revenue

Grants received for specific projects are recognized as revenue in the year in which the related expenses are incurred. The remaining balance of grants received is accounted for as deferred contributions in the statement of financial position. Unrestricted contributions are recognized as revenue when received or receivable.

(d) Fund Balances

The financial resources of the Corporation are allocated to four funds corresponding to the Corporation's activities and objectives as follows:

Unrestricted Funds

Operations – Includes transactions related to the maintenance of facilities, the general operations of the Corporation and the Café Jardin.

Cultural Programs – Includes transactions related to the delivery of cultural programs as outlined in the objectives of the Corporation. Annually, the Corporation determines the value of the space used for cultural programs based on the rate normally charged to other tenants and charges this amount to the Cultural Programs Fund (see Note 7 - $11,252 in 2003).

2. Accounting Policies (continued)

Restricted Funds

Capital – Involves external restrictions and is used for recording major repairs related to the building's operations as well as the amortization of capital assets. At year end, an interfund transfer is recorded from the Operations Fund to the Capital Fund representing the Corporation's net investment in capital assets.

Fundraising – Includes transactions related to fundraising activities. The fund balance must be used to subsidize cultural activities and is included in the interfund transfers.

(e) Inventory

Inventory is valued at the lower of cost, using the first in first out method, and net realizable value.

(f) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

3. Capital Assets

	2004		2003	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
	$	**$**	$	$
Technical equipment	**136,933**	**101,327**	111,190	92,426
Computer equipment	**113,439**	**111,817**	113,439	91,359
Kitchen equipment	**22,740**	**15,058**	18,771	13,137
Cash registers	**5,200**	**4,589**	5,200	4,436
Furniture and fixtures	**3,000**	**2,339**	3,000	2,174
Security system	**17,580**	**11,820**	17,580	10,380
Maintenance equipment	**26,411**	**8,578**	20,601	4,120
	325,303	**255,528**	289,781	218,032
Net book value		**69,775**		71,749

4. Working capital advance – Province of Manitoba

A working capital advance was granted by the Province of Manitoba for $100,000 (nil in 2003), bearing interest at 4%, due April 28, 2004.

5. Deferred Contributions

Deferred contributions represent unspent resources received during the year related to matching expenses of subsequent periods.

	2004	2003
	$	$
Balance, beginning of year	**8,858**	38,288
Grants and other amounts received during the year	**26,064**	27,704
Less amounts recognized as revenue during the year		
Operations Fund	**(780)**	(13,247)
Capital Fund (Note 8)	**(29,898)**	(43,887)
Balance, end of year	**4,244**	8,858

6. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets amount to $64,252 at March 31, 2004 ($51,333 in 2003) and represent the unamortized portion of grants received with which capital assets have been purchased.

Changes in deferred contributions related to capital assets are as follows:

	2004	2003
	$	$
Balance, beginning of year	**51,333**	67,295
Grants received during the year	**35,521**	2,000
Amount amortized to revenue	**(22,602)**	(17,962)
Balance, end of year	**64,252**	51,333

7. Operations Fund and Cultural Programs Fund Expenses

			2004	2003
	Operations	Cultural Programs	Total	Total
	$	$	$	$
Salaries and benefits (Note 12)	336,100	151,217	487,317	523,659
Employment contracts	49,429	97,411	146,840	173,750
Pension	6,323	1,962	8,285	8,170
Utilities (Note 12)	96,427	-	96,427	99,234
Equipment rentals and maintenance	29,406	2,306	31,712	29,158
Office expenses	16,346	5,012	21,358	23,870
Internal rental	(13,402)	13,402	-	-
Equipment purchase	2,167	-	2,167	558
Supplies	19,888	1,497	21,385	27,357
Meetings and travel	7,253	8,258	15,511	20,207
Advertising and promotion	6,906	16,594	23,500	29,862
Professional fees	11,461	-	11,461	8,260
Insurance and permits	14,435	2,648	17,083	16,184
Training	-	61	61	1,305
Bad debts	1,832	-	1,832	1,854
Bank charges and interest	4,746	-	4,746	7,334
Miscellaneous	3,648	6,225	9,873	5,239
	592,965	306,593	899,558	976,001

8. Capital Fund Expenses

	2004	2003
	$	$
Waterline system	13,078	-
Computer	11,440	8,348
Repairs and maintenance	2,270	9,320
Security system and locks	955	446
Change tables	920	-
Christmas decorations	642	-
Restaurant supplies	593	-
Carpeting	-	12,000
Technical equipment	-	6,666
Postage meter	-	4,430
Landscaping	-	2,500
Tables and chairs	-	177
	29,898	43,887

9. Vacation Pay Receivable

Effective March 31, 1995, the Corporation commenced recording the estimated liability for vacation pay for its employees. The amount of this estimated liability is determined on March 31 of each year based on eligible vacation entitlements.

The Province of Manitoba has accepted responsibility for the vacation pay benefits accumulated to March 31, 1995 by the Corporation's employees. Accordingly, the Corporation recorded, effective March 31, 1995, a receivable of $25,891 from the Province of Manitoba, which is an amount that is equal to the estimated liability for vacation pay benefits at March 31, 1995.

This receivable from the Province of Manitoba has no terms of repayment and, accordingly, the amount of this receivable will remain fixed at $25,891.

10. Use of Building

The building used by the Corporation is owned by the Province of Manitoba and is made available to the Corporation rent-free. The Corporation is responsible for all operating and maintenance costs including third party liability insurance.

The Corporation charges rent to all tenants, groups and organization that make use of the building. This rental revenue is retained by the Corporation and recorded as revenue in the Operations Fund, thereby reducing the Corporation's reliance on funding from the Province.

11. Financial Instruments

The financial instruments consist of grants receivable, accounts receivable, accounts payable and accrued liabilities. It is the management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

12. Centre du Patrimoine

The capital costs of this archival centre were funded equally by the Governments of Canada and Manitoba. Ownership of the centre is that of the Province of Manitoba. The centre is operated by La Société Historique de Saint-Boniface (SHSB).

Le Centre culturel franco-manitobain (CCFM) pays utility and maintenance costs related to the archival centre. Those utility and maintenance costs are recorded in utilities and salaries and benefits expenses (Note 7). CCFM recovers the utility and maintenance costs from the SHSB. Those recoveries are recorded in miscellaneous revenue and amount to $48,251 in 2004 ($50,627 in 2003).

BDO
Driving growth

BDO Dunwoody LLP
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Auditors' Report to the Directors

We have audited the statement of financial position of Child and Family Services of Central Manitoba Inc. as at March 31, 2004, and the statements of operations and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2004, and the results of its operations and the changes in cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP.

Chartered Accountants

Portage la Prairie, Manitoba
May 17, 2004

Child and Family Services of Central Manitoba Inc.
Statement of Financial Position

For the year ended March 31,

Assets

	Central Program Support Fund	Ward Care Fund	Family Support Innovations Fund	Family Support Fund	Capital Fund	Total 2004	Total 2003
Current Assets							
Cash and short-term investments	$ –	$ –	$ –	$ –	$ –	$ –	$ 161,219
Accounts receivable	19,172	3,479	–	–	–	22,651	24,756
Receivable from Child and Family Services of Central Manitoba Foundation Inc.	2,808	–	–	–	6,122	8,930	–
Receivable from Department of Family Services and Housing (note 3)	166,567	388,691	–	–	–	555,258	172,018
Prepaid expenses	58,968	557	–	–	–	59,525	12,989
Inter-fund balances	(437,958)	421,514	17,698	60,011	(61,265)	–	–
	(190,443)	814,241	17,698	60,011	(55,143)	646,364	370,982
Investments (note 4)	93,778	–	–	–	–	93,778	152,678
Capital Assets (note 5)	–	–	–	–	625,258	625,258	604,217
Deferred Severance / Retirement Entitlement	17,866	–	–	–	–	17,866	77,596
	$ (78,799)	$ 814,241	$ 17,698	$ 60,011	$ 570,115	$1,383,266	$1,205,473

Child and Family Services of Central Manitoba Inc.
Statement of Financial Position

For the year ended March 31,

	Central Program Support Fund	Ward Care Fund	Family Support Innovations Fund	Family Support Fund	Capital Fund	Total 2004	Total 2003
Liabilities and Fund Balances							
Current Liabilities							
Bank indebtedness (note 6)	$ 355,034	$ –	$ –	$ –	$ –	$ 355,034	$ –
Accounts payable and accrued liabilities	16,724	10,624	–	–	–	27,348	204,291
Accrued vacation pay entitlement	156,850	–	–	–	–	156,850	141,131
Working capital advance	–	103,400	–	–	–	103,400	–
Payable to Child & Family Services of Central Manitoba Foundation Inc.	–	–	–	–	–	–	14,853
Payable to Central Region Healthy Child Coalition	–	–	–	–	–	–	2,246
	528,608	114,024	–	–	–	624,632	362,521
Accrued Severance / Retirement Entitlement	143,339	–	–	–	–	143,339	197,099
Deferred Contributions (note 7)	–	–	17,698	–	403,004	420,702	417,894
	671,947	114,024	17,698	–	403,004	1,206,673	977,514
Fund Balances							
Invested in net capital assets	–	–	–	–	167,111	167,111	176,109
Externally restricted	–	700,217	–	60,011	–	760,228	782,510
Unrestricted	(750,746)	–	–	–	–	(750,746)	(730,660)
	(750,746)	700,217	–	60,011	167,111	176,593	227,959
Lease Commitments (note 8)							
	$ (78,799)	$ 814,241	$ 17,698	$ 60,011	$ 570,115	$1,383,266	$1,205,473

Approved on behalf of the Board:

Evelyn Currie Director

Director

See accompanying notes to financial statements.

Child and Family Services of Central Manitoba Inc.
Statement of Operations and Changes in Fund Balances

For the year ended March 31,

	Central Program Support Fund	Ward Care Fund	Family Support Innovations Fund	Family Support Fund	Capital Fund	Total 2004	Total 2003
Revenues							
Provincial Government funding	$ 2,424,935	$1,383,229	$ –	$ 99,000	$ –	$3,907,164	$ 3,844,476
Interest income	7,539	–	–	–	–	7,539	12,537
Contributions from parents	–	9,130	–	–	–	9,130	7,339
Contribution from Child and Family Services of Central Manitoba Foundation Inc.	4,683	–	–	–	–	4,683	2,726
Amortization of deferred contributions (note 7)	–	–	78,159	–	14,974	93,133	92,654
Other	2,569	741	–	–	–	3,310	4,730
	2,439,726	1,393,100	78,159	99,000	14,974	4,024,959	3,964,462
Expenditures							
Salaries and benefits	2,075,014	–	70,900	58,775	–	2,204,689	2,151,130
Travel and other field service costs	127,339	63,352	7,259	–	–	197,950	196,997
Office maintenance	58,803	–	–	–	–	58,803	55,326
Office operations	134,487	–	–	–	–	134,487	124,156
Service support	66,973	–	–	–	–	66,973	62,699
Other support	36,045	–	–	–	–	36,045	27,844
Ward care expenditures	–	1,330,942	–	22,464	–	1,353,406	1,448,360
Amortization of capital assets	–	–	–	–	23,972	23,972	22,663
	2,498,661	1,394,294	78,159	81,239	23,972	4,076,325	4,089,175
(Deficiency) excess of revenues over expenditures	(58,935)	(1,194)	–	17,761	(8,998)	(51,366)	(124,713)
Fund balances (deficit), beginning of year	(730,660)	723,495	–	59,015	176,109	227,959	352,672
Inter fund transfers	38,849	(22,084)	–	(16,765)	–	–	–
Fund balance (deficit), end of year	$ (750,746)	$ 700,217	$ –	$ 60,011	$ 167,111	$ 176,593	$ 227,959

See accompanying notes to financial statements.

Child and Family Services of Central Manitoba Inc.
Statement of Cash Flows

For the year ended March 31,	2004	2003
Cash and Cash Equivalents provided by (used in)		
Operating Activities		
(Deficiency) of revenues over expenditures	$ (51,366)	$ (124,713)
Items not involving cash		
Amortization of capital assets	23,972	22,663
Amortization of deferred contributions	(93,133)	(92,654)
Amortization of deferred severance / retirement entitlement	1,985	7,760
	(118,542)	(186,944)
Change in non-cash operating working capital		
Accounts receivable	2,105	(7,917)
Receivable from Child and Family Services of Central Manitoba Foundation Inc.	(23,783)	33,221
Receivable from Department of Family Services and Housing	(383,240)	(4,481)
Prepaid expenses	(46,536)	22,888
Accounts payable and accrued liabilities	(176,943)	67,232
Accrued vacation pay entitlement	15,719	(6,778)
Accrued severance / retirement benefit	3,985	35,255
	(727,235)	(47,524)
Financing and Investing Activities		
Working capital advance	103,400	-
Additions to capital assets	(45,013)	(61,698)
Mortgage principal repayments	-	(3,845)
Disposal (additions) to investments	58,900	(1,935)
Restricted contributions received	95,941	95,616
Increase in bank indebtedness	355,034	-
Payable to Central Region Healthy Child Coalition	(2,246)	(9,493)
	566,016	18,645
Decrease in cash and cash equivalents	(161,219)	(28,879)
Cash and cash equivalents, beginning of year	161,219	190,098
Cash and cash equivalents, end of year	$ -	$ 161,219
Cash and cash equivalents consist of		
Cash	$ -	$ 93,227
Short-term investments	-	67,992
	$ -	$ 161,219
Additional information		
Interest received	$ 9,533	$ 10,337

See accompanying notes to financial statements.

1. General

The Agency is incorporated under the laws of Manitoba and its' primary business purpose is providing child and family services to those in need in the central region of Manitoba. The Agency is a registered charitable Agency under the Income Tax Act.

2. Significant Accounting Policies

The Agency follows the deferral method of accounting for contributions.

(a) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

(b) Fund Accounting

Revenues and expenditures related to program delivery and administrative activities are reported in the Central / Program Support Fund.

Revenues and expenditures directly related to children in care and children not in care are reported in the Ward Care Fund.

Any revenues in excess of expenditures in the Ward Care Fund are restricted for ward care purposes unless prior approval is received from the Province of Manitoba.

Revenues and expenditures related to the Family Support Innovations Program are reported in the Family Support Innovations Fund.

The Capital Fund reports the assets, liabilities, revenues and expenditures related to the Agency's capital assets.

(c) Revenue Recognition

Restricted contributions are deferred and recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the Central / Program Support Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant Accounting Policies (continued)

(d) Capital Assets

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, as follows.

Building	2%
Leasehold improvements	10%
Furniture and equipment	20%
Automotive	30%

Amortization expense is reported in the Capital Fund.

(e) Investments

Long-term bonds and investments are recorded at cost.

(f) Contributed Services

Volunteers contribute numerous hours annually to assist the Agency in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(g) Vacation Entitlement

Vacation entitlement is recorded in the period that the service to which it relates is provided. Accrued vacation entitlement is recorded to the extent that a vacation entitlement liability exists at the period end.

Funding for the vacation entitlement is accrued in the period that the vacation entitlement is accrued. To the extent that this vacation entitlement funding has not been received by the period end, it is recorded as a receivable from the Department of Family Services.

(h) Defined Contribution Pension Plan

The Agency's pension plan is administered by the United Way. All expenses consist of the contributions required under the plan.

2. Significant Accounting Policies (continued)

(i) Severance / Retirement Entitlement

Severance / Retirement entitlement is recorded in the period the service to which it relates is provided. Accrued severance / retirement is recorded to the extent that a severance / retirement liability exists at the period end. The liability is discounted from the date at which the employee would become entitled to an amount to the period end using a discount rate of 6.25%.

The net present value of the liability as at April 1, 2000, being the date at which the Agency became liable for the severance / retirement entitlement has been recorded as a deferred severance / retirement entitlement and is being amortized to expense on the straight-line basis over 13 years, being the average number of years until the original employee group became entitled to an amount.

During the year, the Agency and the Union representing the employees agreed on a new contract which amended certain terms of the severance / retirement entitlement. The net present value of these changes resulted in a reduction in the accrued severance / retirement entitlement of $57,745 and this has been recorded as a reduction in the deferred severance / retirement entitlement.

(j) Financial Instruments

The Agency's financial instruments consist of cash, temporary and long-term investments, bank indebtedness, account receivable, accounts payable and accrued liabilities, working capital advance and long-term debt. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair market values of these financial instruments approximate their carrying values, unless otherwise noted.

3. Receivable from Department of Family Services and Housing

	2004	2003
Central / Program Support Fund		
Computer program	**$ 5,175**	$ -
Accrued vacation pay entitlement	**156,850**	141,131
Staff secondment	**4,542**	22,520
	166,567	163,651
Ward Care Fund	**388,691**	8,367
	$ 555,258	$ 172,018

4. Investments

Investments are comprised of term deposits, guaranteed investment certificates and bonds with effective interest rates of 3.85% to 5.5% (2003 – 1.25% to 5.5%). Interest is receivable annually and upon maturity. Maturity dates range from June 15, 2004 to June 15, 2006.

5. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2004	Net Book Value 2003
Land	$ 8,172	$ –	$ 8,172	$ 8,172
Building	883,037	297,901	585,136	566,417
Furniture and equipment	57,459	45,077	12,382	6,344
Leasehold improvements	23,747	6,638	17,109	19,484
Automotive	4,470	2,011	2,459	3,800
	$ 976,885	$ 351,627	$ 625,258	$ 604,217

6. Bank Indebtedness

The Agency has an operating line of credit authorized to a maximum of $425,000, which is due on demand and bears interest at the bank's prime rate minus 0.50% calculated and payable monthly. It is secured by a line of credit agreement.

7. Deferred Contributions

(a) Deferred contributions reported in the Family Support Innovation Fund relate to restricted contributions, which have not yet been disbursed for their intended purpose.

Changes in the deferred contributions balance reported in the Family Support Innovation Fund are as follows:

	2004	2003
Balance, beginning of year	$ 24,057	$ 32,129
Add restricted contributions received in the year	71,800	70,700
Less amount recognized as revenue in the year	78,159	78,772
Balance, end of year	$ 17,698	$ 24,057

7. Deferred Contributions (continued)

(b) Deferred contributions reported in the Capital Fund include the unamortized portions of contributed capital assets and restricted contributions relating to the Agency's furniture and equipment and building.

Changes in the deferred contributions balance reported in the Capital Fund are as follows

	2004	2003
Balance, beginning of year	**$ 393,837**	$ 382.803
Add restricted contributions received in the year and not yet disbursed	**24,141**	24.916
Less amount recognized as revenue in the year	**14,974**	13 882
	$ 403,004	$ 393.837

8. Lease Commitments

The Agency leases office premises and certain equipment under operating leases, which expire between May 2004 and January 2007. The following is a schedule of future minimum lease payments due in each of the next 3 years under these leases

2005	$ 28.753
2006	23,016
2007	6,810

9. Related Party

Child and Family Services of Central Manitoba Inc. and Child and Family Services of Central Manitoba Foundation Inc. are related by virtue of certain common members of their Board of Directors.

During the year, the following transactions took place with Child and Family Services of Central Manitoba Foundation Inc.

- The Agency received administration fees of $4,683 (2003 - $2,726).

The above transaction is in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. Subsequent Events

Child and Family Services in Manitoba is currently undergoing a major restructuring through an initiative called the Aboriginal Justice Inquiry – Child Welfare Initiative.

Four new child and family services authorities have been proclaimed: The Metis Child and Family Services Authority, The First Nations of Northern Manitoba Child and Family Services Authority, The First Nations of Southern Manitoba Child and Family Services Authority and the General Child and Family Services Authority.

The system restructuring is being implemented on a region-by-region basis with the central region scheduled for April 2004. The following changes are scheduled.

- Province-wide mandates will be granted to First Nation and Metis agencies based in the region by their Authority. The province-wide mandate means that these agencies will be empowered to deliver child and family services throughout Manitoba;
- The transfer of service responsibility for new and existing cases, based on the results of the recently introduced Authority Determination Process;
- The transfer of human or other resources among agencies, based on the proportionate transfer of service responsibilities; and
- The introduction of new licensing arrangements for foster families.

The ultimate effect of the above on the operations of Child and Family Services of Central Manitoba Inc. has not been determined.

BDO

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AUDITORS' REPORT

TO BOARD OF DIRECTORS
CHILD AND FAMILY SERVICES OF WESTERN MANITOBA:

We have audited the statement of financial position of **CHILD AND FAMILY SERVICES OF WESTERN MANITOBA** as at **MARCH 31, 2004** and the statements of surplus and operations for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at **MARCH 31, 2004** and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting priniciples.

BDO Dunwoody LLP
CHARTERED ACCOUNTANTS

Brandon, Manitoba
May 7, 2003

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - CONSOLIDATED
March 31, 2004

		2004	2003
ASSETS			
CURRENT			
Cash	$	**460,159**	368,161
Term deposits		**240,426**	229,458
Accounts receivable		**808,360**	554,424
Prepaid expenses		**14,863**	13,780
Employees' Trust Certificates		**799**	689
Discounted certificates		**9,594**	9,577
		1,534,201	1,176,089
CAPITAL ASSETS (Notes 2 and 3)		**1,999,317**	2,084,516
	$	**3,533,518**	3,260,605

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - CONSOLIDATED
March 31, 2004

	2004	2003
LIABILITIES		
CURRENT		
Deferred revenue	$ **23,785**	8,639
Working capital advance	**174,700**	29,600
Accounts payable	**636,988**	514,639
Current portion of long-term debt	**13,495**	13,495
Funds held in trust	**1,441**	2,131
Employees' Trust Certificates	**9,590**	9,577
Loan payable (Note 4)	**12,116**	
	872,115	578,081
LONG-TERM DEBT - BUILDING (Note 5)	**696,442**	719,234
SPECIAL ALLOWANCE TRUST FUND	**113,412**	113,412
	1,681,969	1,410,727
SURPLUS (DEFICIT)		
Operating Fund	**283,343**	180,575
Capital Fund	**1,277,264**	1,351,787
Trust Fund	**290,942**	317,516
	1,851,549	1,849,878
	$ **3,533,518**	3,260,605

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - OPERATING FUND
March 31, 2004

		2004	2003
ASSETS			
CURRENT			
Cash	$	**285,770**	155,924
Term deposits		**11,145**	11,145
Accounts receivable		**372,169**	179,575
Due from Province of Manitoba - vacation pay (Note 2)		**434,869**	373,029
Prepaid expenses		**14,863**	13,780
	$	**1,118,816**	733,453

STATEMENT OF FINANCIAL POSITION - OPERATING FUND
March 31, 2004

	2004	2003
LIABILITIES		
CURRENT		
Deferred revenue	$ **23,785**	8,639
Working capital advance	**174,700**	29,600
Accounts payable	**636,988**	514,639
	835,473	552,878
SURPLUS (DEFICIT)		
Central Program Support	**(45,356)**	159,124
Resource Centre	**23,049**	13,581
Family Support Services & Brandon Avenue Projects	**120,695**	107,663
Child Maintenance	**41,923**	(222,655)
McVicar Street		
Residential Care	**82,076**	55,957
Early Learning Canada		
Adoptive Families Project	**2,647**	4,612
Parenting Skills Project	**4,381**	2,403
Parenting Child Centres	**2,966**	3,386
Intensive Crisis Intervention		
Pre-school Enrichment		
Victoria Day Care	**43,960**	52,939
Early Start Project	**7,002**	8,241
Downtown Day Care		(4,676)
	283,343	180,575
	$ **1,118,816**	733,453

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - TRUST FUND
March 31, 2004

ASSETS

		2004	2003
CURRENT			
Cash	$	**174,389**	212,237
Term deposits		**229,281**	218,313
Accounts receivable		**1,322**	1,820
Employees' Trust Certificates		**799**	689
Discounted certificate		**9,594**	9,577
	$	**415,385**	442,636

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - TRUST FUND
March 31, 2004

		2004	2003
LIABILITIES			
CURRENT			
Funds held in trust - clients	$	**1,441**	2,133
Discounted certificate		**9,590**	9,577
Client trust certificates			(2)
		11,031	11,708
SPECIAL ALLOWANCE TRUST FUND		**113,412**	113,412
		124,443	125,120
SURPLUS			
Surplus - Staff gift fund		**3,948**	2,993
Surplus - Sun fund		**11,396**	10,102
Surplus - Facility account		**203,950**	163,873
Surplus - Holding account		**30,427**	27,589
Surplus - Other trust accounts		**18,825**	17,245
Surplus - Endowment fund		**1,593**	66,137
Surplus - New main office building			
Surplus - Other trust programs		**20,803**	29,577
		290,942	317,516
	$	**415,385**	442,636

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - CAPITAL FUND
March 31, 2004

	2004	2003
ASSETS		
CAPITAL ASSETS (Notes 2 and 3)	$ 1,999,317	2,084,516
LIABILITIES		
CURRENT		
Short term loan payable (Note 4)	12,116	
Current portion of long-term debt	13,495	13,495
	25,611	13,495
LONG-TERM DEBT - BUILDING (Note 5)	696,442	719,234
	722,053	732,729
SURPLUS		
INVESTMENT IN CAPITAL ASSETS, per schedule	1,277,264	1,351,787
	$ 1,999,317	2,084,516

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - OPERATING FUND
March 31, 2004

		2004	2003
CENTRAL PROGRAM SUPPORT			
SURPLUS, BEGINNING OF YEAR	$	159,124	235,281
Deficit for year		(81,830)	(17,957)
Deficit transfer to/from Child Maintenance		(122,650)	(58,200)
SURPLUS, END OF YEAR	$	(45,356)	159,124
RESOURCE CENTRE			
SURPLUS, BEGINNING OF YEAR	$	13,581	
Surplus (deficit) for year		9,468	(16,419)
Surplus transfered from Parent Child Centres			30,000
SURPLUS, END OF YEAR	$	23,049	13,581
FAMILY SUPPORT SERVICES & BRANDON AVENUE PROJECTS			
SURPLUS, BEGINNING OF YEAR	$	107,663	82,236
Surplus for year		13,032	25,427
SURPLUS, END OF YEAR	$	120,695	107,663
CHILD MAINTENANCE OPERATIONS			
DEFICIT, BEGINNING OF YEAR	$	(222,655)	(82,413)
Surplus (deficit) for year - Child Maintenance		35,757	(236,158)
Surplus for year - Justyn Project		30,458	
Surplus (deficit) for year - J&B Project		(24,287)	13,516
Deficit transfer to/from Central Program Support		122,650	58,200
Deficit recovery - Province of Manitoba		100,000	24,200
SURPLUS (DEFICIT), END OF YEAR	$	41,923	(222,655)
RESIDENTIAL CARE			
SURPLUS, BEGINNING OF YEAR	$	55,957	17,669
Surplus for year		26,119	38,288
SURPLUS, END OF YEAR	$	82,076	55,957
EARLY LEARNING CANADA			
SURPLUS, END OF YEAR	$		

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - OPERATING FUND
March 31, 2004

		2004	2003
ADOPTIVE FAMILIES PROJECT			
SURPLUS, BEGINNING OF YEAR	$	4,612	4,430
Surplus (deficit) for year		(1,965)	182
SURPLUS, END OF YEAR	$	2,647	4,612
PARENTING SKILLS PROJECT			
SURPLUS, BEGINNING OF YEAR	$	2,403	1,932
Surplus for year		1,978	471
SURPLUS, END OF YEAR	$	4,381	2,403
PARENT CHILD CENTRES			
SURPLUS, BEGINNING OF YEAR	$	3,386	39,056
Deficit for year		(420)	(5,670)
Surplus transfered to Resource Centre			(30,000)
SURPLUS, END OF YEAR	$	2,966	3,386

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - OPERATING FUND
March 31, 2004

		2004	2003
INTENSIVE CRISIS INTERVENTION PROJECT			
SURPLUS, BEGINNING OF YEAR	$		
SURPLUS, END OF YEAR	$		
PRESCHOOL ENRICHMENT			
SURPLUS, BEGINNING OF YEAR	$		(5)
Surplus (deficit) for year			5
SURPLUS, END OF YEAR	$		
VICTORIA DAY CARE			
SURPLUS, BEGINNING OF YEAR	$	**52,939**	50,458
Surplus (deficit) for year		**(8,979)**	2,481
SURPLUS, END OF YEAR	$	**43,960**	52,939
EARLY START PROJECT			
SURPLUS, BEGINNING OF YEAR	$	**8,241**	10,581
Deficit for year		**(1,239)**	(2,340)
SURPLUS, END OF YEAR	$	**7,002**	8,241
DOWNTOWN DAY CARE			
DEFICIT, BEGINNING OF YEAR	$	**(4,676)**	
Surplus (deficit) for year			(9,476)
Transfer from Trust Fund		**4,676**	4,800
SURPLUS (DEFICIT), END OF YEAR	$		(4,676)

STATEMENT OF INVESTMENT IN CAPITAL ASSETS - CAPITAL FUND
March 31, 2004

	2004	2003
INVESTMENT IN CAPITAL ASSETS, BEGINNING OF YEAR	$ 1,351,787	1,404,923
Principle payments on mortgage made by operating fund	25,297	15,432
Capital assets purchased by Operating Fund and Trust Fund	14,469	56,870
	1,391,553	1,477,225
Amortization for the year	114,289	125,438
INVESTMENT IN CAPITAL ASSETS, END OF YEAR	$ 1,277,264	1,351,787

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - TRUST FUND
March 31, 2004

		2004	2003
STAFF GIFT FUND			
SURPLUS, BEGINNING OF YEAR	$	**2,993**	2,630
Surplus for year		**955**	363
SURPLUS, END OF YEAR	$	**3,948**	2,993
SUN FUND			
SURPLUS, BEGINNING OF YEAR	$	**10,102**	15,331
Surplus (deficit) for year		**1,294**	(5,229)
SURPLUS, END OF YEAR	$	**11,396**	10,102
FACILITY FUND OPERATIONS			
SURPLUS, BEGINNING OF YEAR	$	**163,873**	102,716
Surplus for year		**40,077**	61,157
SURPLUS, END OF YEAR	$	**203,950**	163,873
HOLDING ACCOUNT OPERATIONS			
SURPLUS, BEGINNING OF YEAR	$	**27,589**	21,128
Surplus for year		**2,838**	6,461
SURPLUS, END OF YEAR	$	**30,427**	27,589
OTHER TRUST ACCOUNTS			
SURPLUS, BEGINNING OF YEAR	$	**17,245**	20,383
Surplus (deficit) for year		**1,580**	(3,138)
SURPLUS, END OF YEAR	$	**18,825**	17,245
ENDOWMENT FUND			
SURPLUS, BEGINNING OF YEAR	$	**66,137**	212,627
Deficit for year		**(64,544)**	(146,490)
SURPLUS, END OF YEAR	$	**1,593**	66,137

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - TRUST FUND
March 31, 2004

		2004	2003
OTHER TRUST PROGRAMS			
SURPLUS, BEGINNING OF YEAR	$	**29,577**	25,326
Surplus (deficit) for year		**(4,098)**	9,051
Transfer to General Fund		**(4,676)**	(4,800)
SURPLUS, END OF YEAR	$	**20,803**	29,577

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OPERATIONS - COMBINED - OPERATING FUND
Year ended in March 31, 2004

		2004 Approved (Unaudited)	Actual	2003 Actual
REVENUE				
Central program	$	**3,554,179**	**3,604,072**	3,585,979
Resource Centre		**241,643**	**251,630**	172,945
Family support services		**408,100**	**438,568**	421,656
Brandon Avenue Project			**79,527**	61,213
Child maintenance		**2,166,500**	**2,833,146**	2,192,589
Justyn Project			**97,080**	
J & B Project		**214,532**	**158,969**	199,880
Residential Care		**831,925**	**824,030**	821,994
Early Learning Canada		**18,500**	**10,994**	20,727
Adoptive families project		**46,888**	**46,888**	46,200
Parenting skills project		**55,312**	**55,219**	54,500
Child Care Centres		**75,000**	**74,643**	78,512
Pre-school enrichment		**226,540**	**213,119**	205,616
Victoria day care		**349,382**	**349,990**	343,931
Early start		**78,000**	**78,148**	79,133
		8,266,501	**9,116,023**	8,284,875
EXPENSES, per schedule		**8,574,490**	**9,078,165**	8,425,296
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND		**(307,989)**	**37,858**	(140,421)
Transfer to Capital Fund		**56,500**	**39,766**	70,180
SURPLUS (DEFICIT) ON OPERATING FUND OPERATIONS FOR YEAR	$	**(364,489)**	**(1,908)**	(210,601)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF EXPENDITURES - COMBINED - OPERATING FUND
Year ended in March 31, 2004

	2004 Approved (Unaudited)	Actual	2003 Actual
Central program	$ 3,534,961	3,672,464	3,553,951
Resource Centre	257,550	242,162	189,364
Family support services	459,844	431,084	398,078
Brandon Avenue Project		73,979	62,315
Child maintenance	2,424,821	2,797,389	2,428,747
Justyn Project		66,622	
J & B Project	218,382	183,256	186,364
Residential Care	822,214	797,911	779,616
Early Learning Canada	18,500	10,994	20,727
Adoptive families project	47,937	48,853	46,018
Parenting skills project	55,312	53,241	54,029
Child Care Centres	74,412	75,063	84,182
Pre-school enrichment	226,540	213,119	204,938
Victoria day care	373,314	357,938	341,450
Early start	86,000	79,387	81,473
Downtown day care			9,476
	$ 8,599,787	9,103,462	8,440,728

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OPERATIONS - CENTRAL PROGRAM SUPPORT - OPERATING FUND
March 31, 2004

	2004 Approved (Unaudited)	2004 Actual	2003 Actual
REVENUE			
Grants, Province of Manitoba	$ 3,415,400	3,415,400	3,364,900
Residential Care contract fees	45,725	45,724	45,634
Rebates and interest	11,437	14,080	10,510
Secondment costs			73,711
School Division revenue	23,500	24,273	22,928
Adoption fees	12,000	9,159	9,169
Community Campaign			
Miscellaneous	8,000	4,187	27,448
Program Administration revenue	14,138	15,910	16,690
Foundation Transfer Central Program	23,979	22,020	24,589
Rural programs			100
Province of Manitoba - vacation pay		53,319	(9,700)
	3,554,179	3,604,072	3,585,979
EXPENDITURES, per schedule			
Salaries, fees and related expenses	2,948,975	3,075,912	3,009,804
Field service	135,400	141,583	115,723
Office operation	119,787	107,141	115,507
Professional services	62,000	82,591	53,314
Staff development	13,500	11,736	14,368
Board expenses	15,100	15,574	15,152
Other expenses	66,920	66,454	58,853
Other Centres	59,743	59,652	58,492
Main office operations	88,239	86,524	97,306
	3,509,664	3,647,167	3,538,519
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	44,515	(43,095)	47,460
Transfer to Capital Fund - capital asset purchases	51,000	13,438	49,985
Transfer to Capital Fund - mortgage principle repayment	22,792	22,792	15,432
Transfer to Capital Fund - copier loan principle repayment	2,505	2,505	
DEFICIT ON CENTRAL PROGRAM SUPPORT FOR YEAR	$ (31,782)	(81,830)	(17,957)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CENTRAL PROGRAM SUPPORT EXPENDITURES - OPERATING FUND
March 31, 2004

	2004 Approved (Unaudited)	2004 Actual	2003 Actual
SALARIES, FEES AND RELATED EXPENSES			
Central support services	$ 163,376	172,202	190,612
Administration salaries	353,771	377,838	339,820
Supervisor salaries	386,304	415,674	373,152
Direct service - professionals	1,629,344	1,702,355	1,678,610
Payroll tax	55,215	58,222	57,243
Central program benefits	360,965	342,534	336,071
Vacation pay change		6,955	(1,265)
Administration Casual		132	8,807
Family Visions - Salaries			26,754
	2,948,975	3,075,912	3,009,804
FIELD SERVICE COSTS			
Car operation	40,000	38,600	30,447
Private mileage	54,000	52,931	46,860
Travelling	17,000	24,936	13,845
Car insurance	24,400	25,116	24,571
	135,400	141,583	115,723
OFFICE OPERATIONS			
Equipment	2,000	1,695	1,786
Repairs and maintenance	1,000	777	745
Computer, payroll and miscellaneous costs	7,752	11,559	8,154
Computer support	5,200		3,500
Postage	14,280	13,305	13,165
Telephone and telegragh	53,040	50,076	49,386
Supplies	20,400	19,124	21,235
Miscellaneous	1,020	299	49
Audit	8,950	9,832	9,010
Lease payments	6,145	450	8,477
Interest		24	
	$ 119,787	107,141	115,507

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CENTRAL PROGRAM SUPPORT EXPENDITURES - OPERATING FUND
March 31, 2004

	2004		2003
	Approved (Unaudited)	**Actual**	Actual
PROFESSIONAL SERVICES			
Legal	$ 50,000	73,006	43,025
Consulting	8,500	6,534	7,502
Documents	3,500	3,051	2,787
	62,000	82,591	53,314
STAFF DEVELOPMENT			
Staff in training	12,000	10,569	13,534
Library	1,500	1,167	834
	13,500	11,736	14,368
BOARD EXPENSES			
Board training and expenses	15,100	15,574	15,152
OTHER			
Advertising	7,650	6,757	9,897
Membership fees	3,738	4,156	3,665
Family assistance	9,000	7,777	6,654
Annual meeting and public relations	11,500	10,692	8,584
Insurance	19,432	23,135	16,898
Program supplies	7,500	10,837	4,773
Program evaluation	5,000		
Rural community programs			5,282
M.A.P.P.	3,100	3,100	3,100
	66,920	66,454	58,853
OTHER BUILDINGS			
Rent	$ 59,743	59,652	58,492

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CENTRAL PROGRAM SUPPORT EXPENDITURES - OPERATING FUND
March 31, 2004

	2004		2003
	Approved (Unaudited)	Actual	Actual
MAIN OFFICE OPERATIONS			
Mortgage payments - interest	$ 47,739	47,739	55,099
Repairs and maintenance	7,000	5,560	9,140
Janitorial	6,800	7,556	6,455
Building supplies	1,750	1,774	1,934
Hydro	9,000	8,733	8,858
Water	1,500	689	1,475
Gas	2,000	2,411	2,260
Property taxes	12,450	12,062	12,085
	$ 88,239	86,524	97,306

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF RESOURCE CENTRE OPERATIONS - OPERATING FUND
March 31, 2004

	2004 Approved (Unaudited)	2004 Actual	2003 Actual
REVENUE			
Building operations	$ **55,080**	**55,080**	54,000
Agency responsibility	**17,549**	**17,549**	
Career start grant	**1,925**	**2,166**	1,925
Miscellaneous	**5,000**	**9,193**	7,428
Brandon and District United Way	**20,000**	**20,257**	20,083
Foundation	**72,000**	**72,000**	65,000
Brandon School Division		**2,573**	
Campaign and donations	**27,589**	**27,589**	21,128
City of Brandon grant	**15,000**	**15,000**	
Visitation access service	**2,500**	**2,600**	2,600
Brandon University Project			1,301
Province of Manitoba - vacation pay		**2,623**	(520)
Healthy Child Manitoba Grant	**25,000**	**25,000**	
	241,643	**251,630**	172,945
EXPENDITURES, per schedule			
Salaries	**142,855**	**137,273**	91,746
Program	**29,258**	**24,738**	17,752
Office and building	**85,437**	**80,151**	79,866
	257,550	**242,162**	189,364
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	**(15,907)**	**9,468**	(16,419)
Transfer to Capital Fund	**1,000**		
SURPLUS (DEFICIT) ON RESOURCE CENTRE OPERATIONS FOR YEAR	$ **(16,907)**	**9,468**	(16,419)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF RESOURCE CENTRE EXPENDITURES - OPERATING FUND
March 31, 2004

	2004		2003
	Approved (Unaudited)	Actual	Actual
SALARIES, FEES AND RELATED EXPENSES			
Salaries - Other Centres	103,222	104,167	61,398
Career Start Hourly	4,414	4,056	3,715
Benefits	18,157	14,947	14,697
Child care salaries	14,455	11,342	8,102
Payroll tax	2,607	2,303	2,601
B.U. Project Hourly		116	1,301
Vacation pay change		342	(68)
	142,855	137,273	91,746
PROGRAM EXPENSES			
Food	1,530	843	818
Kitchen and cleaning supplies	1,530	1,407	1,710
Child care activities	2,040	1,995	1,993
Program supplies	10,000	6,703	7,254
Transportation	7,000	6,447	4,930
Advertising	408	456	427
Staff training	300	242	170
Camp supplies	450	450	450
Rural Prevention	6,000	6,195	
	29,258	24,738	17,752
OFFICE/BUILDING MAINTENANCE			
Supplies	1,500	2,093	880
Repairs and maintenance	7,000	6,272	6,118
Equipment and furniture	1,000	1,160	1,067
Cleaning costs	7,150	6,586	6,615
Telephone	5,304	5,634	5,519
Hydro	8,750	7,562	8,322
Water	1,150	1,032	905
Gas	12,000	9,125	11,386
Insurance	6,497	6,601	5,636
Rent	34,086	34,086	33,418
Capital Assets Purchased	1,000		
	$ 85,437	80,151	79,866

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FAMILY SUPPORT SERVICES OPERATIONS - OPERATING FUND
March 31, 2004

	2004 Approved (Unaudited)	2004 Actual	2003 Actual
REVENUE			
Province of Manitoba Family support	$ 358,100	358,100	352,800
Adoption - financial assistants	50,000	78,423	64,574
Province of Manitoba - vacation pay		2,045	4,282
	408,100	438,568	421,656
EXPENDITURES			
Support worker salaries and benefits	134,132	99,957	110,493
Social workers assistants salaries and benefits	79,577	82,626	83,130
Client activities	1,800		
Family aides salaries and benefits	143,870	110,794	86,138
Homemaker salaries and benefits		14,188	9,569
Staff development		637	200
Support miscellaneous	350	4,259	2,213
Other family support	17,315	17,315	16,164
Support travel costs	30,000	20,821	23,048
Cell phones - support workers	2,800	2,064	2,549
Adoption - financial assistants	50,000	78,423	64,574
	459,844	431,084	398,078
SURPLUS (DEFICIT) ON FAMILY SUPPORT SERVICES FOR YEAR	$ (51,744)	7,484	23,578

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF BRANDON AVENUE PROJECT OPERATIONS - OPERATING FUND
March 31, 2004

	2004		2003
	Approved (Unaudited)	Actual	Actual
REVENUE			
Children Special Services	$ 45,000	45,000	45,000
Support transfer	17,315	17,315	16,164
Miscellaneous		16,822	
Province of Manitoba - vacation pay		390	49
	62,315	79,527	61,213
EXPENDITURES			
Salaries and benefits	55,417	66,099	53,349
Food	800	966	444
Transportation	3,698	4,747	3,319
Miscellaneous	400	167	252
Administration costs	2,000	2,000	2,000
	62,315	73,979	59,364
SURPLUS ON BRANDON AVENUE PROJECT OPERATIONS FOR YEAR	$	5,548	1,849

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF CHILD MAINTENANCE OPERATIONS - OPERATING FUND
March 31, 2004

	2004		2003
	Approved (Unaudited)	Actual	Actual
REVENUE			
Province of Manitoba - level 1	1,576,500	1,235,027	1,544,307
Parent and guardian	10,000	25,555	16,559
Special needs grant		825,037	
Exceptional circumstances/Repat	445,000	587,014	454,528
Repat		596	154
Special needs - other agencies		90,629	69,540
Basic - other agencies	135,000	63,255	42,234
Miscellaneous		6,033	267
FH Renovation - exceptional circumstances			65,000
	2,166,500	2,833,146	2,192,589
EXPENDITURES, per schedule	2,424,821	2,797,389	2,428,747
SURPLUS (DEFICIT) ON CHILD MAINTENANCE OPERATIONS FOR YEAR	$ (258,321)	35,757	(236,158)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CHILD MAINTENANCE EXPENDITURES - OPERATING FUND
March 31, 2004

	2004		2003
	Approved (Unaudited)	Actual	Actual
Regular rate foster home	$ 979,700	1,089,268	966,097
Independent living	81,680	60,065	82,025
Gifts	12,386	13,303	12,355
Education	26,965	23,117	26,246
Activities	30,574	26,779	28,793
Emergency homes	985	776	1,004
Emergency retainer	17,161	21,796	16,545
Damage and special occasions	4,426	3,248	5,753
Transportation	40,126	34,788	41,254
Special rate - foster homes	489,973	627,015	452,786
Non-pay shelter costs	6,385	4,592	3,924
Day Care	2,916	3,034	1,674
Miscellaneous	2,846	6,861	2,545
Respite - foster parent	42,250	69,459	47,053
Home visits	48,475	56,936	51,426
Therapy	14,600	17,928	20,726
Medical	8,420	4,340	7,026
Initial clothing	16,997	13,466	16,684
Age of majority	5,175	2,900	4,014
Children in care support	12,606	1,917	12,708
Repatriation costs	175	596	154
Exceptional circumstances	5,000	1,398	1,009
Regular rate - other agencies	51,300	59,039	39,501
Agency allowances - other agencies	2,700	1,873	768
Special rate - other agencies	81,000	90,461	68,489
Travel out of Province	1,000		
Extra one time expense	5,000	14,694	31,370
Level V - Service	434,000	547,740	421,818
FH Renovation - exceptional circumstances			65,000
	$ 2,424,821	2,797,389	2,428,747

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF JUSTYN PROJECT OPERATIONS - OPERATING FUND
March 31, 2004

	2004 Approved (Unaudited)	2004 Actual	2003 Actual
REVENUE			
Basic maintenance	$	3,595	
Special rate		90,326	
Accrued vacation		3,159	
		97,080	
EXPENDITURES, per schedule			
Salaries		53,399	
Building and administration costs		7,565	
Direct costs		5,658	
		66,622	
SURPLUS ON JUSTYN PROJECT OPERATIONS FOR YEAR	$	30,458	

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF JUSTYN PROJECT EXPENDITURES - OPERATING FUND
March 31, 2004

	2004 Approved (Unaudited)	2004 Actual	2003 Actual
SALARIES, FEES AND RELATED EXPENSES			
Salaries		$ 39,087	
Employee benefits		7,242	
Relief		6,197	
Payroll tax		873	
		53,399	
BUILDING AND ADMINISTRATION			
Rent		3,300	
Repairs and maintenance		1,926	
Equipment and furniture		15	
Utilities		1,394	
Telephone		309	
Administration		258	
Staff training		163	
Advertising		200	
		7,565	
DIRECT COSTS			
Food		1,924	
Household		423	
Clothing		476	
Personal Allowance		170	
Activities		495	
Education		16	
Health		267	
Transportation		1,847	
Gifts		40	
		$ 5,658	

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF J & B PROJECT OPERATIONS - OPERATING FUND
March 31, 2004

	2004 Approved (Unaudited)	2004 Actual	2003 Actual
REVENUE			
Basic maintenance	$ 15,994	12,659	15,994
Special rate	198,538	150,209	183,814
Province of Manitoba - vacation pay		(3,899)	72
	214,532	158,969	199,880
EXPENDITURES, per schedule			
Salaries and benefits	188,608	155,764	159,079
Building and administration costs	12,660	12,265	10,360
Direct costs	17,114	15,227	16,925
	218,382	183,256	186,364
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	(3,850)	(24,287)	13,516
Transfer to Capital Fund	1,000		
SURPLUS (DEFICIT) ON J & B PROJECT OPERATIONS FOR YEAR	$ (4,850)	(24,287)	13,516

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF J & B PROJECT EXPENDITURES - OPERATING FUND
March 31, 2004

	2004		2003
	Approved (Unaudited)	Actual	Actual
SALARIES AND BENEFITS			
Salaries	$ 143,534	113,729	114,601
Relief	17,061	25,513	25,888
Employee benefits	24,512	13,434	15,543
Payroll tax	3,501	3,088	3,047
	188,608	155,764	159,079
BUILDING AND ADMINISTRATION COSTS			
Rent	6,405	6,400	6,334
Equipment and furniture	900	268	
Capital assets	1,000		
Repairs and maintenance	750	1,171	976
Utilities	2,000	2,074	1,862
Telephone	780	687	671
Building insurance	150	134	123
Administration costs	200	77	394
Miscellaneous	75	90	
Staff training	300	1,273	
Advertising	100	91	
	12,660	12,265	10,360
DIRECT COSTS			
Food	6,000	5,991	7,143
Household	1,000	1,539	1,013
Clothing	1,635	799	1,365
Personal allowance	1,095	691	936
Activities	1,200	1,334	1,753
Education	400	317	267
Health	584	266	98
Transportation	5,000	4,193	4,135
Gifts	200	97	215
	$ 17,114	15,227	16,925

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF RESIDENTIAL CARE OPERATIONS - OPERATING FUND
March 31, 2004

	2004 Approved (Unaudited)	2004 Actual	2003 Actual
REVENUE			
Province of Manitoba fees	$ 155,236	507,671	543,543
Province of Manitoba grant	651,237	255,700	246,500
Program redevelopment			2,170
Special relief	25,452	17,515	28,331
Miscellaneous		474	1,057
Province of Manitoba - vacation pay		357	393
Other agencies - Cypress		42,313	
	831,925	824,030	821,994
EXPENDITURES, per schedule			
Salaries and benefits	677,901	663,065	646,553
Building	69,269	67,255	63,457
Administration	6,275	4,319	7,768
Direct	68,769	63,272	61,838
TOTAL EXPENDITURES	822,214	797,911	779,616
SURPLUS BEFORE TRANSFER TO CAPITAL FUND	9,711	26,119	42,378
Transfer to Capital Fund	2,000		4,090
SURPLUS ON RESIDENTIAL CARE OPERATIONS FOR YEAR	$ 7,711	26,119	38,288

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF RESIDENTIAL CARE EXPENDITURES - OPERATING FUND
March 31, 2004

	2004 Approved (Unaudited)	2004 Actual	2003 Actual
SALARIES AND BENEFITS			
Salary costs	$ 522,866	519,112	487,016
Relief costs	57,989	59,139	62,409
Special relief costs		445	15,073
Employee benefits	84,385	69,569	67,628
Payroll levy	12,661	12,392	12,232
Workers' compensation		2,361	2,144
Vacation pay change		47	51
	677,901	663,065	646,553
BUILDING			
Mortgages	21,690	21,690	21,265
Utilities	11,775	12,138	11,494
Household supplies	4,579	5,095	3,509
Repairs and maintenance	17,600	10,103	14,492
Insurance	10,125	12,988	9,328
Equipment	1,500	5,241	3,369
Capital Assets	2,000		
	69,269	67,255	63,457
ADMINISTRATION			
Office supplies	300	173	352
Advertising	300	450	102
Bank charges	25	136	68
Miscellaneous	200	25	28
Telephone	3,050	2,435	2,448
Staff training	2,400	1,100	4,770
	$ 6,275	4,319	7,768

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF RESIDENTIAL CARE EXPENDITURES - OPERATING FUND
March 31, 2004

	2004		2003
	Approved (Unaudited)	Actual	Actual
DIRECT			
Food	$ 29,300	28,608	27,701
Clothing	9,227	7,017	6,488
Personal allowances	7,345	4,865	4,674
Education	1,336	1,119	3,874
Group activity allowance	8,993	8,185	7,199
Gifts	1,400	1,210	1,274
Medical	668	1,720	1,237
Transportation	10,500	8,624	9,391
Household		1,924	
	$ 68,769	63,272	61,838

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF EARLY LEARNING CANADA OPERATIONS - OPERATING FUND
March 31, 2004

		2004		2003
		Approved (Unaudited)	**Actual**	Actual
REVENUE				
Brandon School Division	$	**18,500**	**10,994**	20,727
EXPENDITURES				
Salaries and benefits		**11,600**	**5,309**	11,835
Child care		**3,500**	**1,245**	4,966
Food		**1,000**	**411**	528
Transportation		**400**	**51**	139
Books and supplies		**500**	**2,586**	2,959
Advertising		**100**		
Administration costs		**1,200**	**1,200**	300
Staff training		**200**	**192**	
Transportation				
		18,500	**10,994**	20,727
SURPLUS ON EARLY LEARNING CANADA OPERATIONS FOR YEAR	$			

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF ADOPTIVE FAMILIES PROJECT OPERATIONS - OPERATING FUND
March 31, 2004

		2004		2003
		Approved (Unaudited)	Actual	Actual
REVENUE				
Grant	$	46,888	46,888	46,200
EXPENDITURES				
Salaries and benefits		44,771	45,615	42,880
Program administration costs		2,166	3,238	3,138
Travel		1,000		
		47,937	48,853	46,018
SURPLUS (DEFICIT) ON ADOPTIVE FAMILIES PROJECT FOR YEAR	$	(1,049)	(1,965)	182

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF PARENTING SKILLS PROJECT OPERATIONS - OPERATING FUND
March 31, 2004

		2004		2003
		Approved (Unaudited)	**Actual**	Actual
REVENUE				
Province of Manitoba grant	$	**55,312**	**55,312**	54,500
Province of Manitoba - vacation pay			**(93)**	
		55,312	**55,219**	54,500
EXPENDITURES				
Salaries and benefits		**53,312**	**48,083**	50,908
Program supplies		**2,000**	**5,158**	3,121
		55,312	**53,241**	54,029
SURPLUS ON PARENTING SKILLS PROJECT FOR YEAR	$		**1,978**	471

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF PARENT CHILD CENTRES OPERATIONS - OPERATING FUND
March 31, 2004

	2004 Approved (Unaudited)	2004 Actual	2003 Actual
REVENUE			
Healthy Child Manitoba Grant	$ 75,000	75,000	75,000
Province of Manitoba - vacation		(357)	3,512
	75,000	74,643	78,512
EXPENDITURES			
Salaries	57,916	52,918	64,752
Employee benefits	7,796	9,478	8,466
Child care costs		7,497	2,985
Program supplies	4,000	2,483	4,560
Administration costs	1,200	1,200	1,200
Food costs	1,000	1,267	1,057
Transportation	500		521
Staff training	2,000	220	641
	74,412	75,063	84,182
SURPLUS (DEFICIT) ON PARENT CHILD CENTRES FOR YEAR	$ 588	(420)	(5,670)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF PRE-SCHOOL ENRICHMENT OPERATIONS - OPERATING FUND
March 31, 2004

	2004 Approved (Unaudited)	2004 Actual	2003 Actual
REVENUE			
Department of Family Services Transportation	$ 5,000	5,011	4,017
Grant maintenance	16,370	16,586	15,610
Fees - province	71,500	69,711	71,344
Fees - parent	12,020	18,718	17,208
Private funds	92,786	79,140	66,969
Disabilities Grant	28,864	22,840	28,472
Bad Debt Recovery		21	133
Other		345	288
Province of Manitoba - vacation pay		747	1,575
	226,540	213,119	205,616
EXPENDITURES, per schedule			
Staff salaries and benefits	176,321	163,296	156,989
Program	7,589	8,004	6,847
Office and building	18,205	18,255	18,214
Administration	24,425	23,564	22,888
	226,540	213,119	204,938
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND			678
Transfer to Capital Fund	500		673
SURPLUS ON PRE-SCHOOL ENRICHMENT OPERATIONS FOR YEAR	$		5

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF PRE-SCHOOL ENRICHMENT EXPENDITURES - OPERATING FUND
March 31, 2004

	2004		2003
	Approved (Unaudited)	Actual	Actual
STAFF SALARIES AND BENEFITS			
Salaries	$ 151,413	140,093	133,751
Benefits	24,908	23,203	23,238
	176,321	163,296	156,989
PROGRAM			
Food	4,864	5,166	4,498
Kitchen and cleaning supplies	400	719	433
Activity supplies	500	352	554
Equipment and furniture	750	1,198	442
Equipment repairs	75		
Special projects	1,000	569	920
	7,589	8,004	6,847
OFFICE AND BUILDING			
Rent	10,290	10,290	10,291
Repairs and maintenance	1,515	1,392	1,668
Contract cleaners	1,500	1,647	1,417
Leasehold improvements	300	1,021	483
Equipment	100		102
Utilities	4,000	3,905	4,253
Capital asset purchases	500		
	$ 18,205	18,255	18,214

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF PRE-SCHOOL ENRICHMENT EXPENDITURES - OPERATING FUND
March 31, 2004

	2004		2003
	Approved (Unaudited)	Actual	Actual
ADMINISTRATION			
Postage	$ 250	317	151
Advertising and office supplies	150		363
Telephone	1,300	1,294	1,323
Insurance	2,664	3,498	2,508
Travel	13,000	11,175	10,840
Staff training	600	525	598
Audit fee	1,461	1,527	1,490
Bad debt - preschool	5,000	5,228	5,615
	$ 24,425	23,564	22,888

STATEMENT OF VICTORIA DAY CARE OPERATIONS - OPERATING FUND
March 31, 2004

	2004 Approved (Unaudited)	2004 Actual	2003 Actual
REVENUE			
Department of Family Services grant	$ 88,088	92,378	86,658
Handicapped staffing grant	66,129	63,644	57,385
Fees - province	113,565	105,755	99,737
Bad debt recovery		499	62
Parents fees	80,000	82,057	91,669
Challenge grant	1,100	1,925	1,925
Miscellaneous	500	333	3,218
Province of Manitoba - vacation pay		3,399	3,277
	349,382	349,990	343,931
EXPENDITURES, per schedule			
Staff salaries and benefits	319,681	305,463	290,420
Program	16,637	16,875	17,713
Office and building	24,560	24,130	20,108
Administration	12,436	11,470	13,209
	373,314	357,938	341,450
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	(23,932)	(7,948)	2,481
Transfer to Capital Fund	1,000	1,031	
SURPLUS (DEFICIT) ON VICTORIA DAY CARE OPERATIONS FOR YEAR	$ (24,932)	(8,979)	2,481

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF VICTORIA DAY CARE EXPENDITURES - OPERATING FUND
March 31, 2004

	2004		2003
	Approved (Unaudited)	Actual	Actual
STAFF SALARIES AND BENEFITS			
Salaries	$ 277,465	267,511	254,750
Benefits	42,216	37,952	35,670
	319,681	305,463	290,420
PROGRAM			
Food	11,737	11,221	12,082
Kitchen and cleaning supplies	1,700	1,998	2,551
Activity supplies	1,000	1,748	847
Equipment and furniture	1,500	1,889	1,721
Equipment repairs	200		108
Special projects	500	19	404
	16,637	16,875	17,713
OFFICE AND BUILDING			
Rent	11,800	11,800	11,799
Repairs and maintenance	3,000	2,548	1,666
Contract cleaners	2,400	2,131	2,179
Equipment and furniture		35	32
Leasehold improvements	1,500	3,711	178
Utilities	4,860	3,905	4,254
Capital Asset Purchases	1,000		
	$ 24,560	24,130	20,108

SCHEDULE OF VICTORIA DAY CARE EXPENDITURES - OPERATING FUND
March 31, 2004

	2004 Approved (Unaudited)	2004 Actual	2003 Actual
ADMINISTRATION			
Telephone	$ 1,075	1,127	702
Postage	700	347	750
Insurance	2,550	3,498	2,508
Association fees	175	175	175
Advertising	300	324	247
Travel	500	553	736
Staff training	675	1,253	1,126
Audit fee	1,461	1,527	1,490
Library			54
Bad debts expense	5,000	2,666	5,421
	$ 12,436	11,470	13,209

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF EARLY START PROJECT OPERATIONS - OPERATING FUND
March 31, 2004

	2004		2003
	Approved (Unaudited)	Actual	Actual
REVENUE			
Early start revenue	$ 78,000	78,000	78,000
Miscellaneous revenue			233
Province of Manitoba - vacation pay		148	900
	78,000	78,148	79,133
EXPENDITURES, per schedule			
Program	72,488	67,736	68,740
Office and building	13,512	11,651	12,733
TOTAL EXPENDITURES	86,000	79,387	81,473
DEFICIT ON EARLY START PROJECT OPERATIONS FOR YEAR	$ (8,000)	(1,239)	(2,340)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF EARLY START PROJECT EXPENDITURES - OPERATING FUND
March 31, 2004

	2004		2003
	Approved (Unaudited)	Actual	Actual
PROGRAM			
Home visitor salaries and benefits	$ 60,334	53,582	52,465
Other salaries and benefits	5,254	8,940	11,864
Vacation pay change		19	117
Travel	2,400	1,916	2,089
Training	1,000	202	995
Supplies	1,500	1,528	531
Toys	500	127	275
Workshops	1,400	1,336	246
Miscellaneous	100	86	158
	72,488	67,736	68,740
FACILITY SERVICE COSTS			
Travel	100		
Secretarial	1,000	1,000	1,000
Office	1,500	1,027	1,304
Telephone	1,800	1,512	1,804
Audit and accounting fees	306	306	306
Administration and supervision	7,806	7,806	7,806
Equipment repairs and maintenance	1,000		513
	$ 13,512	11,651	12,733

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF DOWNTOWN DAY CARE OPERATIONS - OPERATING FUND
March 31, 2004

	2004		2003
	Approved (Unaudited)	Actual	Actual
REVENUE	$		
EXPENDITURES			
Salaries			5,179
Benefits			834
Equipment and furniture			30
Repairs and maintenance			52
Leasehold improvements			1,928
Utilities			208
Advertising and office supplies			899
Insurance			331
Travel			8
Staff training			7
			9,476
DEFICIT ON DOWNTOWN DAY CARE OPERATIONS FOR YEAR	$		(9,476

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OPERATIONS - COMBINED - TRUST FUND
March 31, 2004

		2004	2003
REVENUE			
Staff gift fund	$	**2,162**	5,653
Sun fund		**51,184**	53,845
Facility fund		**101,543**	79,522
Holding account		**30,427**	27,589
Other trust accounts		**5,847**	4,960
Endowment fund		**1,600**	4,060
Other trust programs		**8,229**	148,062
		200,992	323,691
EXPENDITURES			
Staff gift fund		**1,207**	5,290
Sun fund		**49,890**	59,074
Facility fund		**61,466**	16,243
Holding account		**27,589**	21,128
Other trust accounts		**4,267**	8,098
Endowment fund		**66,144**	150,550
Other trust programs		**12,327**	139,011
		222,890	399,394
DEFICIT BEFORE TRANSFER TO CAPITAL FUND		**(21,898)**	(75,703)
Transfer to Capital Fund			2,122
DEFICIT FOR YEAR	$	**(21,898)**	(77,825)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF STAFF GIFT FUND OPERATIONS - TRUST FUND
March 31, 2004

		2004	2003
REVENUE			
Staff contributions	$	2,162	5,653
EXPENDITURES			
Gift purchases		1,207	5,290
SURPLUS FOR YEAR	$	955	363

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SUN FUND OPERATIONS - TRUST FUND
March 31, 2004

		2004	2003
REVENUE			
Charitable donations	$	**435**	945
Culture and Heritage		**5,000**	5,000
Grant revenue - federal		**2,166**	1,925
CFS Foundation grant		**42,893**	45,285
Interest		**690**	690
		51,184	53,845
EXPENDITURES			
Camp fees		**40,195**	46,447
Office		**1,660**	2,075
Other		**112**	39
Salaries		**6,658**	7,389
Transportation		**1,265**	3,124
		49,890	59,074
SURPLUS (DEFICIT) FOR YEAR	$	**1,294**	(5,229)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FACILITY FUND OPERATIONS - TRUST FUND
March 31, 2004

		2004	2003
REVENUE			
Interest	$	**3,677**	2,749
Rent		**77,866**	76,773
Sale of capital assets		**20,000**	
		101,543	79,522
EXPENDITURES			
CFS supplements		**44,191**	
Property taxes		**17,275**	16,243
		61,466	16,243
SURPLUS BEFORE TRANSFER TO CAPITAL FUND		**40,077**	63,279
Transfer to Capital Fund			2,122
SURPLUS ON FACILITY FUND OPERATIONS FOR YEAR	$	**40,077**	61,157

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF HOLDING ACCOUNT OPERATIONS - TRUST FUND
March 31, 2004

		2004	2003
REVENUE			
Community campaign	$	18,340	26,174
Memberships		770	1,415
Special allowance		11,317	
		30,427	27,589
EXPENDITURES			
Community campaign expenses		27,589	21,128
SURPLUS FOR YEAR	$	2,838	6,461

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OTHER TRUST ACCOUNT OPERATIONS - TRUST FUND
March 31, 2004

		2004	2003
REVENUE	$	5,847	4,960
EXPENDITURES		4,267	8,098
SURPLUS (DEFICIT) FOR YEAR	$	1,580	(3,138)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF ENDOWMENT FUND OPERATIONS - TRUST FUND
March 31, 2004

		2004	2003
REVENUE			
Interest earned	$		2,060
Capital campaign		**1,600**	2,000
		1,600	4,060
EXPENDITURES			
CFS supplements		**66,144**	66,969
Transfer to new building			83,581
		66,144	150,550
DEFICIT ON ENDOWMENT FUND OPERATIONS FOR YEAR	$	**(64,544)**	(146,490)

STATEMENT OF OTHER PROGRAMS - TRUST FUND
March 31, 2004

		2004	2003
REVENUE			
Training Programs - fees	$	3,675	7,590
Downtown daycare			127,210
Interest income		654	1,262
Special Allowance Interest		3,900	12,000
		8,229	148,062
EXPENDITURES			
Training program - program costs		9,224	7,870
Special grant - CWLC Abuse Prevention expenses		849	3,764
Downtown daycare grant expenses		2,254	127,377
		12,327	139,011
SURPLUS (DEFICIT) ON OTHER PROGRAMS - TRUST FUND OPERATIONS FOR YEAR	$	(4,098)	9,051

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

1. ENTITY DEFINITION

The organization is a registered charity providing family service agency in Western Manitoba. Any surplus it may generate is non-taxable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Due from Province of Manitoba - Vacation Pay
The amount receivable represents future grant revenue from the Province of Manitoba that will be used to fund earned vacation pay by employees that has been recorded as a liability at March 31, 2004. The amount receivable equals the amount of vacation pay that has been accrued as an account payable at March 31, 2004.

Investments
Investment are recorded as the lower of cost or market value. The market value of all investments held equals their costs at March 31, 2004.

Capital Assets
Capital assets purchased by the Operating Fund are recorded as a transfer to the Capital Fund with the amounts being recorded at cost in the Capital Fund. Assets purchased are recorded as an increase in capital assets and an increase in investment in capital assets. For assets that have been purchased through a debt obligation, the cost has been recorded as an increase in capital assets in the Capital Fund with the debt obligation being recorded as a liability in the Capital Fund. As the loan is repaid, the principle component of the loan payments paid by the Operating Fund is recorded as a transfer to the Capital Fund in the Operating Fund and an increase in investment in capital assets in the Capital Fund.

Amortization is recorded on a straight-line basis as a decrease in investment in capital assets in accordance with the following rates:

Buildings - 2.5%
Equipment - 5%
Automotive
  First 12 months - 30%
  After - 15%

Fund Accounting
Child & Family Services of Western Manitoba follows the restricted method of accounting for contributions.

The Operating Fund accounts for the program delivery and administration activities.

The Capital Fund records the assets, liabilities, revenues and expenses related to Child & Family Services of Western Manitoba's capital assets.

The Trust Fund reports resources held in trust for purposes outside of normal program delivery and administration purposes. Investment income and money recieved by the Trust Fund is reported as revenue in the Trust Fund and expenses relating directly to the trust funds are recorded as expenses in the Trust Fund.

Financial Instruments
The organization's financial instruments consist of cash, accounts receivable, short-term investments, accounts payable and long-term debt. Unless otherwise noted, it is management opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Use of Estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. CAPITAL ASSETS

	2004			2003
	Cost	**Accumulated Amortization**	**Net Value**	Net Value
800 MacTavish Avenue				
Building and land	**$ 812,774**	**(109,649)**	**703,125**	721,069
Office equipment and furniture	**275,484**	**(190,318)**	**85,166**	85,791
Other Centres				
Building and land	**1,064,119**	**(202,822)**	**861,297**	885,400
Equipment	**74,750**	**(30,687)**	**44,063**	47,800
2227 Brandon Avenue				
Building and land	**215,209**	**(124,381)**	**90,828**	95,547
Equipment	**31,092**	**(22,893)**	**8,199**	9,753
Cypress House				
Building and land	**124,965**	**(56,772)**	**68,193**	70,587
Equipment	**33,035**	**(25,675)**	**7,360**	9,012
7th Street House				
Building and land	**76,370**	**(40,307)**	**36,063**	37,574
Equipment	**19,741**	**(18,031)**	**1,710**	2,697
Automobiles	**449,294**	**(357,556)**	**91,738**	117,298
J & B Project				
Equipment	**2,869**	**(1,294)**	**1,575**	1,988
	$ 3,179,702	**(1,180,385)**	**1,999,317**	2,084,516

4. SHORT TERM LOAN PAYABLE

The Royal Bank demand loan carries interest at prime plus .15, repayable $393 per month including interest. The loan is secured by equipment.

5. LONG TERM DEBT

		2004	2003
Royal Trust mortgage, repayable $5,878 monthly including interest at 7.85%, secured by land and building, matures 2008	$	**709,937**	732,729
Current portion		**13,495**	13,495
	$	**696,442**	719,234

Principal payments due in the next five years are as follows:

2004	-	$	13,495
2005	-		14,593
2006	-		15,781
2007	-		17,066
2008	-		18,455

6. COMMITMENTS

The organization leases office equipment under operating leases. Minimum lease payments due i the next five years are as follows:

2004	-	$	6,498
2005	-		3,249
2006	-		
2007	-		
2008	-		

7. ECONOMIC DEPENDENCE

Child & Family Services of Western Manitoba is economically dependent upon the Provincia Government of Manitoba for funding.

8. STATEMENT OF CASH FLOWS

A Statement of Cash Flows has not been provided as it would not provide any further informatio to the users of the financial statements.

HMA
HAUGEN MORRISH ANGERS
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To The Board of Directors
Communities Economic Development Fund

We have audited the statement of financial position of Communities Economic Development Fund as at March 31, 2004 and the statement of revenue and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2004 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Haugen Morrish Angers
CHARTERED ACCOUNTANTS

The Pas, Manitoba
May 20, 2004

COMMUNITIES ECONOMIC DEVELOPMENT FUND

STATEMENT 1

STATEMENT OF FINANCIAL POSITION

MARCH 31

ASSETS

	2004	2003
Cash	$ 113,380	$ 130,412
Trust deposits	24,377	1,264,377
Due from Province of Manitoba *(Note 3)*	1,486,239	1,994,500
Accounts receivable	56,085	45,016
Property held for resale	335,961	13,022
Prepaid expenses	8,987	19,702
	2,025,029	3,467,029
Loans receivable *(Note 4)*	21,662,944	20,007,920
Capital assets *(Note 7)*	33,245	43,346
	$ 23,721,218	$ 23,518,295

LIABILITIES

	2004	2003
Accounts payable and accrued liabilities	$ 371,813	$ 293,592
Interest payable to the Province of Manitoba	596,457	663,484
	968,270	957,076
Accrued pension liability *(Note 2)*	1,515,207	1,391,914
Advances by the Province of Manitoba *(Note 8)*	21,237,741	21,169,305
	$ 23,721,218	$ 23,518,295

Approved on behalf of the Board

H. Westdal
Director

Marlene Beck
Director

COMMUNITIES ECONOMIC DEVELOPMENT FUND

STATEMENT 2

STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

	2004	2003
REVENUE		
Loan interest		
TEAM	$ 4,227	$ 3,822
Business Program	1,185,874	1,004,880
Fisheries Program	807,884	811,879
Investment income	59,643	39,261
	2,057,628	1,859,842
COST OF FUNDS		
Interest paid to the Province of Manitoba		
Business Program	642,792	791,937
Life Insurance	70,687	66,806
Trust line of credit	85,153	11,822
Fisheries Program	604,578	594,534
	1,403,210	1,465,099
GROSS MARGIN	654,418	394,743
OPERATING EXPENSES *(Schedule 1)*	1,651,267	1,569,902
	(996,849)	(1,175,159)
OTHER INCOME - ADMINISTRATION FEES	126,782	99,651
EXCESS OF EXPENDITURES OVER REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	(870,067)	(1,075,508)
Provision for doubtful accounts - regular operations	619,715	417,578
EXCESS OF EXPENDITURES OVER REVENUE BEFORE SUBSIDY FROM PROVINCE OF MANITOBA	(1,489,782)	(1,493,086)
SUBSIDY DUE FROM PROVINCE OF MANITOBA	1,489,782	1,493,086
	$ 0	$ 0

COMMUNITIES ECONOMIC DEVELOPMENT FUND

STATEMENT 3

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2004	2003
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Cash received from Province of Manitoba and other sources	$ 1,871,843	$ 1,702,016
Expenditures to suppliers and employees	(1,410,014)	(1,810,423)
Interest paid	(1,470,237)	(1,458,526)
	(1,008,408)	(1,566,933)
INVESTING ACTIVITIES		
Purchase of capital assets	(15,750)	(18,797)
Loans issued net of principal payments	(1,445,592)	(1,742,864)
Sale of equipment - net	(322,939)	96,898
	(1,784,281)	(1,664,763)
FINANCING ACTIVITIES		
Subsidy - Province of Manitoba	1,467,221	1,493,086
Advances by the Province of Manitoba	68,436	2,642,300
	1,535,657	4,135,386
NET INCREASE (DECREASE) IN CASH	(1,257,032)	903,690
CASH, *beginning of year*	1,394,789	491,099
CASH, *end of year*	$ 137,757	$ 1,394,789

CASH REPRESENTED BY		
Cash	$ 113,380	$ 130,412
Trust deposits	24,377	1,264,377
	$ 137,757	$ 1,394,789

1. NATURE OF THE ORGANIZATION

The Communities Economic Development Fund (the Fund) was established in 1971 (Ch. C155) as a Crown corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. With an act revision passed in July, 1991 the object of the Fund was set to encourage economic development in Northern Manitoba, to act as a lending authority in the fishing industry in the Province of Manitoba and to provide financial assistance to aboriginal people in the Province outside the City of Winnipeg. The Business and Fisheries Loan Programs are administered under the C.E.D.F. Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Business Loan Program

The allowance for doubtful accounts on loans and interest receivable is calculated on a specific item basis in addition to a 5% non-specific provision on the remaining loans not specifically provided for.

Fisheries Loan Program

The allowance for doubtful accounts on fisheries loans and interest receivable is calculated based on the present value of future cash flows for those loans which, if they maintain their past payment history, will fail to retire their debt completely within the agreed term. The net present value (NPV) formula used for calculating the allowance for doubtful accounts is recognized by the Canadian Institute of Chartered Accountants; however, it does not account for closure of a fishery or regulated reduction of production. In the event of closure of a fishery or regulated reduction of production, the NPV formula may not adequately provide for doubtful accounts.

PENSION EXPENSE AND OBLIGATIONS

The employees of the Fund are not members of the Civil Service of the Province but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. Payments to the pensioners are charged against the liability account. The current pension expense is determined on the basis of an actuarial valuation. The most recent actuarial valuation as at December 31, 2001 indicated the accrued liability is in line with the obligation forecast in the report. In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year the Fund has recorded a provision to fund current service obligations. The total liability as at March 31, 2004 amounts to $1,515,207 (2003 - $1,391,914).

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization of capital assets has been calculated on a straight line basis using the following rates:

Building	10%
Office furniture and equipment	10% - 20%
Computer equipment	10% - 25%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

FAIR VALUE

Due to the short term nature of all financial instruments other than long term debt and long term investments, the carrying values as presented in the financial statements are reasonable estimates of fair value. Management has estimated fair value by reference to established financial markets. As is true for all estimates, actual fair value could differ from this estimate, and if so any difference would be accounted for in the period in which it becomes known. For long term investments and long term debt it is not practicable within constraints of timeliness or cost to determine the fair value with sufficient reliability because the instruments are not traded in an organized financial market.

3. DUE FROM PROVINCE OF MANITOBA

Annually, the Province of Manitoba provides a grant to cover the Fund's anticipated subsidy requirements for the year. The amount of $1,486,239 (2003 - $1,994,500) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	2004	2003
Department of Northern Affairs		
Subsidy (refundable)	**$ (147,403)**	$ 504,348
Orders in Council pending	**53,036**	32,838
Pension (unfunded)	**1,502,993**	1,381,173
Pension (funded)	**12,214**	10,741
Severance accrual (unfunded)	**65,399**	65,400
	$ 1,486,239	$ 1,994,500

4. LOANS RECEIVABLE

	2004	2003
Business Loan Program		
Principal	**$13,741,325**	$ 12,645,055
Accrued interest	**856,748**	623,053
	14,598,073	13,268,108
Allowance for doubtful accounts *(Note 5)*	**(2,251,440)**	(2,219,584)
	12,346,633	11,048,524

4. LOANS RECEIVABLE *continued*

	2004	2003
Fisheries Loan Program		
Principal	$11,450,794	$ 11,095,524
Accrued interest	628,460	587,310
	12,079,254	11,682,834
Allowance for doubtful accounts *(Note 5)*	(2,762,805)	(2,779,786)
	9,316,449	8,903,048
TEAM Loan Program		
Principal	46,751	52,996
Accrued interest	5,107	3,352
	51,858	56,348
Allowance for doubtful accounts *(Note 5)*	(51,996)	...
	(138)	56,348
	$21,662,944	$ 20,007,920

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The change in the allowance is accounted for as follows:

Business Loan Program	2004			2003
	Specific	Non-Specific	Total	Total
Balance, *beginning of year*	$ 1,709,327	$ 510,257	$ 2,219,584	$ 2,147,048
Provision for the year	617,302	2,413	619,715	417,578
	2,326,629	512,670	2,839,299	2,564,626
Accounts written off	(587,859)	...	(587,859)	(345,042)
Balance, *end of year*	$ 1,738,770	$ 512,670	$ 2,251,440	$ 2,219,584

Fisheries Loan Program	2004	2003
Balance, *beginning of year*	$ 2,779,786	$ 2,787,136
Provision for the year	3,222	...
	2,783,008	2,787,136
Accounts written off	(20,203)	(7,350)
Balance, *end of year*	$ 2,762,805	$ 2,779,786

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS *continued*

Team Loans Program

	2004	2003
Balance, *beginning* of year	$	$
Provision for the year	51,996	0
Balance, *end* of year	$ 51,996	0

6. LOAN COMMITMENTS AND CONTINGENT LIABILITIES

	2004	2003
Loan guarantees	$ 50,000	$ 50,000
Undisbursed balance of approved loans	711,169	1,430,940
	$ 761,169	$ 1,480,940

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2004	Net Book Value 2003
Office furniture and equipment	$ 172,300	$ 139,055	$ 33,245	$ 43,346

8. ADVANCES BY THE PROVINCE OF MANITOBA

	2004	2003
Business Loan Program *(Note 9)*	$10,966,699	$11,123,379
Fisheries Loan Program *(Note 10)*	10,271,042	10,045,926
	$21,237,741	$21,169,305

9. BUSINESS LOAN PROGRAM

The Communities Economic Development Fund is included under The Provision of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance pursuant to "The Loan Act, 2002". The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council. Prior to the 1992/93 fiscal year, advances by the Province were interest free.

Advances from the Business Loan Program at March 31, 2004 are accounted for as follows:

Advances, *beginning of year*	$13,347,068
2003/04 loan advances	4,679,571
2003/04 loan advance repayments	(4,216,537)
Loan write offs	(586,226)
Forward	13,223,876

9. BUSINESS LOAN PROGRAM *continued*

Forward	$13,223,876
Unfunded allowance, *beginning of year*	2,223,689
2003/04 provision for doubtful accounts	619,714
Write offs (Order in Council pending)	(586,226)
	2,257,177
Net Balance, *end of year (Note 8)*	$10,966,699

The Fund has specific loan exposure in the forestry sector in Northern Manitoba. Loans totalling $4,512,310 were outstanding to timber harvesting and related operations as at March 31, 2004.

The Fund's exposure in the forestry sector may be impacted by the outcome of the current Canadian softwood lumber dispute with the United States. In addition, currency fluctuations have added further uncertainty. The specific impact of market disruption due to currency issues and the countervailing tariff or other trade action, though likely negative, is unknown at this time. As such, no provision for additional loan losses for forestry sector loans have been provided for in these financial statements.

10. FISHERIES LOAN PROGRAM

The Communities Economic Development Fund is appointed as the Lending Agency for the Fisheries Loan Program (under Part III of the Fisheries Act). The portfolio had previously been administered by Manitoba Agricultural Credit Corporation (M.A.C.C.) and funded by the Department of Natural Resources. Effective April 1, 1992 this portfolio was transferred to the Fund in its entirety.

Advances to the Fisheries Loan Program at March 31, 2004 are accounted for as follows:

Advances, *beginning of year*	$ 12,854,437
2003/04 loan advances	4,937,277
2003/04 loan advance repayments	(4,712,160)
Transfer loan balances from business loans	
Loan write offs	...
	13,079,554
Unfunded allowance, *beginning of year*	2,808,512
2003/04 Loan write offs	...
	2,808,512
Net Balance, *end of year (Note 8)*	$ 10,271,042

10. FISHERIES LOAN PROGRAM *continued*

Interest costs are charged on total advances of $12,854,437 which is the total portfolio including the allowance for loss portion of $2,762,805.

Life insurance on clients - The Fisheries Loan Program carries Life and Accidental Dismemberment on clients' loans. The cost of this insurance is recovered in the margin charged on interest rates.

The Fund utilizes a net present value formula to value its Fish Loan Portfolio and estimate the provision for loan losses. The formula takes into account the payments received in the previous 12 month period as a basis for calculating future collections. Recent fishing seasons have been dramatically improved over previous seasons. As a result, fewer fish loans indicate arrears potential and the formula utilized to value the fish loan portfolio generates a lower estimate for loan loss provision.

The provision for fish loan losses in the Funds books of account exceeds the value derived by the net present value formula as at March 31, 2004 by $577,501 (March 31, 2003 - $406,829).

	2004	2003
Loan Loss Provision		
• per accounts	$2,762,805	$ 2,779,786
• per net present value calculation	2,185,304	2,372,957
Difference	$ 577,501	$ 406,829

The commercial fishing industry is cyclical in nature and as a result, no adjustment has been made to the loan loss provision as at March 31, 2004

11. LOAN ACT AUTHORITY

Amounts authorized for advances under "The Loan Act, 2003" are as follows:

Per Schedule A of "The Loan Act, 2003"	$10,900,000
Per Schedule B of "The Loan Act, 2003"	4,233,822
- Direct Loans	15,133,822
Advances made during the 2003/04 fiscal year	9,616,848
Unused Loan Act capital available	$ 5,516,974

Guarantees of $970,000 were also authorized under "The Loan Act, 2003". Loan guarantees totalling $50,000 have been issued by the Communities Economic Development Fund as at March 31, 2004.

12. COMMITMENTS

The Fund has committed to leases as follows:

Office premises - Thompson	**$7,235** per month, expires July 2005
Digital mail equipment	**$3,093** annually, expires April 2008
Postage scale and software	**$737** semi-annually, expires February 2009

13. ADVANCES

The advances bear interest at the Royal Bank of Canada prime interest rate, plus 1%, payable monthly and are secured by a general security agreement.

14. ECONOMIC DEPENDENCE

The ongoing operation of the Communities Economic Development Fund depends on obtaining adequate financing and funding. The Communities Economic Development Fund is dependent upon the Province of Manitoba for funding of operations.

15. COMPARATIVE FIGURES

Certain 2003 comparative figures have been reclassified in order to conform with the financial statement presentation adopted for 2004.

COMMUNITIES ECONOMIC DEVELOPMENT FUND

SCHEDULE 1

SCHEDULE OF OPERATING EXPENSES

YEAR ENDED MARCH 31

	2004	2003
Amortization of capital assets	$ 25,790	$ 17,361
Collection costs	89,220	80,625
Communications	49,431	45,918
Credit reports	2,613	1,972
Directors' fees and expenses	63,285	60,158
Government vehicles	41,155	35,860
Insurance	1,781	1,834
Legal costs	15,399	15,531
Office supplies and expenses	20,267	20,059
Pension expense	159,221	151,236
Professional fees	21,703	22,533
Rent and utilities	81,623	79,468
Salaries and benefits	885,757	855,697
Sundry	25,937	28,738
TEAM expenses	120,040	104,776
Travel	48,045	48,136
	$ 1,651,267	$ 1,569,902

Manitoba

Agriculture, Food and Rural Initiatives

The Co-operative Loans and Loans
Guarantee Board
605-800 Portage Avenue
Winnipeg MB R3G 0N4
Phone: (204) 945-8650
Fax: (204) 948-2362

May 28, 2004

The Co-operative Loans and Loans Guarantee Board

Responsibility for Financial Reporting

The accompanying Schedule of Loan Guarantee Transactions, and other financial information in the Annual Report for the year ended March 31, 2004, are the responsibility of management and have been approved by the Board. This Schedule was prepared by management in accordance with the accounting policies set out in Note 2 to the Schedule. Any financial information contained elsewhere in the Annual Report conforms to the Schedule of Loan Guarantees.

As management is responsible for the integrity of the Schedule, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The Auditor General advises that he has performed an independent examination of the Schedule of Loan Guarantee Transactions of the Board in accordance with Canadian generally accepted auditing standards.

Christine M. Burton
Secretary of the Board

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT
On the Schedule of Loan Guarantee Transactions

To the Legislative Assembly of Manitoba
To the Members of The Co-operative Loans and Loans Guarantee Board

We have audited the schedule of loan guarantee transactions of The Co-operative Loans and Loans Guarantee Board as at March 31, 2004. This financial information is the responsibility of the Board's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, this schedule presents fairly, in all material respects, the loan guarantee transactions of the Board as at March 31, 2004 in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 28, 2004

The Co-operative Loans and Loans Guarantee Board

Schedule of Loan Guarantee Transactions
for the year ended March 31, 2004

	Amounts Outstanding at March 31, 2003 $	Additions $	Cancellations $	Amounts Outstanding at March 31, 2004 $
Loan Guarantees: (Note 3)				
Gladstone, Austin Natural Gas Co-op Ltd.	500,000		500,000	—
S M W Workers Co-op Ltd.	110,000		11,000	99,000
Physique Plus Fitness Co-op Inc.	4,000		2,000	2,000
Steinbach Fitness Co-op Inc.	10,500		2,100	8,400
Russell Fitness Centre Co-op Inc.	20,000		4,000	16,000
GD-02 Workers Cooperative Ltd.	99,000		99,000	—
	743,500		618,100	125,400

Approved by the Board:

____________________ Chairperson

____________________ Secretary

Notes to the Schedule
for the year ended March 31, 2004

1. Nature of Operations

The Co-operative Associations Loans and Loans Guarantee Act established the Board with the primary objective of ensuring that cooperative organizations have access to basic financial services. The Board is empowered to make loans or guarantee loans to cooperative organizations in Manitoba. Cooperative Development Services administers the activities of the Board. Cooperative Development Services has been located in Agriculture, Food and Rural Initiatives since November 4, 2003, prior to that was situated in Intergovernmental Affairs since September 25, 2002, and prior to that was situated in Industry, Trade and Mines. These changes were a result of a reorganization of Ministerial responsibilities. The Departments pay all administrative and general operating costs of the Board. The Board may charge a fee for its loans and loan guarantees. The Departments record all revenue received.

2. Accounting Policies

a) Loan guarantees are stated at the amount guaranteed.
b) The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of the support staff services have been estimated at $1,528.
c) In the event of a default on a loan guarantee, the Province of Manitoba is responsible for the payout of the guaranteed amount.

3. Loan Guarantees

a) Gladstone, Austin Natural Gas Co-op Ltd.

On April 10, 1995, the Board approved a ten-year loan guarantee for Gladstone, Austin Natural Gas Co-op Ltd. to a maximum of $500,000 and a line of credit guarantee of $50,000. Beginning in year six, the loan guarantee will be reduced by $100,000 per year until year ten when the guarantee terminates. The line of credit guarantee will terminate in two years, if the Co-op is in a positive cash position. If the Co-op is not in a positive cash position, the guarantee will remain in effect for an additional two years. The guarantee will not be in effect for more than four years. The loan guarantees were accepted by the Austin Credit Union Ltd and the Gladstone, Austin Natural Gas Co-op Ltd. on May 16, 1996.

On March 15, 1999, the Board approved an amendment to the line of credit guarantee from $50,000 to $100,000 effective March 31, 1999 until December 31, 2004. The amendment is conditional on the Austin Credit Union maintaining the authorized line of credit at a minimum of $300,000 during the period the loan guarantee is in place.

3. Loan Guarantees (Continued)

a) Gladstone, Austin Natural Gas Co-op Ltd. continued
On September 27, 2000, the Board approved deferring the $100,000 reduction in the loan guarantee until May 16, 2002, at which time the loan guarantee reduced by $100,000. The loan guarantee reduced by a further $100,000 on May 16, 2003.

On March 3, 2004 the loan was paid off as part of the sale of the assets of the Co-op to Centra Gas Manitoba Inc.

b) S M W Workers Co-op Ltd.
On March 15, 1999, the Board approved an offer of a ten-year loan guarantee for S M W Workers Co-op Ltd. of $120,000. The loan guarantee was to reduce by $12,000 per year, beginning on July 31, 2000. The Assiniboine Credit Union Limited and the S M W Workers Co-op Ltd. accepted the loan guarantee, in July 1999.

On June 25, 2002, the Board approved a new $110,000 loan guarantee to replace the outstanding $96,000 loan guarantee. The Minister of Industry, Trade and Mines approved the new loan guarantee on June 27, 2002. The Assiniboine Credit Union Limited and the S M W Workers Co-op Ltd. accepted the loan guarantee, on January 7, 2003. The loan guarantee shall reduce by $11,000 per year beginning February 4, 2004.

c) Physique Plus Fitness Co-op Inc.
On July 25, 2000, the Board approved a loan guarantee for Physique Plus Fitness Co-op Inc. in the amount of $8,000. La Caisse Populaire Provencher Ltée accepted the loan guarantee and signed an agreement with Physique Plus Fitness Co-op Inc. on February 19, 2001. The guarantee shall reduce by $2,000 on each anniversary of the advance date, March 12, 2001.

d) Steinbach Fitness Co-op Inc.
On March 20, 2002, the Board approved a $10,500 loan guarantee. The loan guarantee will be in effect for a period of five years, representing the term of the loan. La Caisse Populaire LaVerendryé Ltée accepted the loan guarantee and signed an agreement with Steinbach Fitness Co-op Inc on October 16, 2002. The loan guarantee shall reduce by $2,100 per year, beginning on November 7, 2003.

3. Loan Guarantees (Continued)

e) Russell Fitness Centre Co-op Inc.
On October 17, 2002, the Board approved a $20,000 loan guarantee. The Vanguard Credit Union Limited accepted the loan guarantee and signed an agreement with Russell Fitness Centre Co-op Inc. on February 11, 2003. The loan guarantee shall reduce by $4,000 per year, beginning on August 8, 2003.

f) GD-02 Workers Cooperative Ltd.
On December 11, 2002, the Board approved a $99,000 loan guarantee. The Assiniboine Credit Union Limited accepted the loan guarantee and signed an agreement with GD-02 Workers Cooperative Ltd. on March 27, 2003. The loan guarantee was paid out by the Province of Manitoba at the request of the lender on November 26, 2003.

g) Rat River Communications Co-op de communications Riviere-Aux-Rats Inc.
On September 29, 2003, the Board approved a $15,000 guarantee. The Co-op and its lender have not yet agreed to the conditions set by the Board and a loan guarantee agreement has therefore not been prepared. The Board has not withdrawn the offer to provide a guarantee and will require current information regarding the operations of the Co-op before entering into a loan guarantee agreement.

4. Loan Act Authority

The Government of the Province of Manitoba has authorized the following amounts to be expended for funding loans and loan guarantees:

Authority	Outstanding Expenditure Authority
The Loan Act, 2003 (Schedule B)	
Guarantees	$3,500,000
Less: Amounts committed by the Board	125,400
	$3,374,600

Manitoba

Agriculture, Food and Rural Initiatives

The Cooperative Promotion Board
605-800 Portage Avenue
Winnipeg MB R3G 0N4
Phone: (204) 945-3748
Fax: (204) 948-2362

May 20, 2004

The Cooperative Promotion Board

Responsibility for Financial Reporting

The accompanying financial statements and other financial information in the Annual Report for the year ended March 31, 2004, are the responsibility of management and have been approved by the Board. The financial statements were prepared by management in accordance with the accounting policies set out in Note 2 to the financial statements. Any financial information contained elsewhere in the annual Report conforms to these financial statements.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The Office of the Auditor General advises that he has performed an independent examination of the financial statements of the Board in accordance with Canadian generally accepted auditing standards.

Christine M. Burton
Secretary of the Board

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Members of The Cooperative Promotion Board

We have audited the balance sheet of The Cooperative Promotion Board as at March 31, 2004, the General Account statement of revenue and expenditure and retained earnings and the Commercial Fishing Account statement of revenue, expenditure and retained earnings for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 20, 2004

The Cooperative Promotion Board

Balance Sheet
as at March 31, 2004

	2004	2003
ASSETS		
General Account		
Current Assets		
Cash	$ 2,081	$ 9,967
Term Deposits (Note 3)	378,899	365,256
Accrued Interest Receivable	2,814	9,439
Total Current Assets	383,794	384,662
Investments (Note 5)	627	1,867
Total General Account	384,421	386,529
Commercial Fishing Account		
Current Assets		
Cash (Note 4)	63,736	61,842
Accrued Interest Receivable	494	441
Total Current Assets	64,230	62,283
Investments (Note 6)	237	210
Total Commercial Fishing Account	64,467	62,493
Total Assets	$ 448,888	$ 449,022
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable - General Account	$ 2,188	$ 1,664
Equity		
Contributed Capital - General Account (Note 1)	128,800	128,800
Retained Earnings - General Account	253,433	256,065
Retained Earnings - Commercial Fishing Account (Note 7)	64,467	62,493
	446,700	447,358
Total Liabilities and Equity	$ 448,888	$ 449,022

APPROVED BY THE BOARD:

Chairperson

Secretary

The Cooperative Promotion Board

General Account
Statement of Revenue and Expenditure and Retained Earnings
for the year ended March 31, 2004

	2004	2003
Revenue		
Interest	$ 10,819	$ 12,336
Dividend	381	750
Administrative expenses paid for by the Province of Manitoba (Note 2)	4,216	—
Total Revenue	15,416	13,086
Expenditure		
Grants, (Schedule 1)	9,044	12,674
General and administrative		
Annual report	320	529
Audit fee	2,100	1,100
Board members' remuneration	603	280
Board members' meals and travel	348	232
Membership Fee	672	652
Office	745	539
Administrative expenses (note 2)	4,216	—
	9,004	3,332
Total Expenditure	18,048	16,006
Excess of Revenue over (under) Expenditure	(2,632)	(2,920)
Retained Earnings, beginning of year	256,065	258,985
Retained Earnings, end of year	$ 253,433	$ 256,065

The Cooperative Promotion Board

Commercial Fishing Account
Statement of Revenue and Expenditure and Retained Earnings
for the year ended March 31, 2004

	2004	2003
Revenue		
Interest	$ 1,947	$ 1,877
Dividend	27	70
Total Revenue	1,974	1,947
Expenditure		
Total Expenditure	—	—
Excess of Revenue over Expenditure	1,974	1,947
Retained Earnings, beginning of year	62,493	60,546
Retained Earnings, end of year	$ 64,467	$ 62,493

The Cooperative Promotion Board

Notes to the Financial Statements
for the year ended March 31, 2004

1. Nature and Objectives of the Board

The Cooperative Promotion Board operates under the terms of The Cooperative Promotion Trust Act, which came into force on December 20, 1988. The Board is a continuation of the Board established under The Wheat Board Money Trust Act. The Wheat Board Money Trust Act was repealed when The Cooperative Promotion Trust Act came into force. Cooperative Development Services administers the activities of the Board. Cooperative Development Services has been located in Agriculture, Food and Rural Initiatives since November 4, 2003, Intergovernmental Affairs since September 25, 2002 and prior to that was located in Industry, Trade and Mines. The changes were the results of reorganizations of Ministerial responsibilities.

General Account

The General Account funds controlled by the Board consist of surplus funds of the original Canadian Wheat Board apportioned to Manitoba by the Government of Canada (recorded as Contributed Capital), assets vested in the Board when the Cooperative Promotion Trust Act came into force and assets acquired by the Board.

The objectives of the Board with regard to the General Account are to assist in the development of cooperative organizations, to promote the general welfare of cooperative organizations and rural residents in Manitoba and to make recommendations to the Minister responsible with respect to cooperative organizations and related legislation.

Commercial Fishing Account

The Commercial Fishing Account consists of funds donated by Northern Cooperative Services Ltd. As a condition of the donation, these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba. As of March 31, 2004, no activity has taken place.

2. Accounting Policies

a) These financial statements are prepared in accordance with Canadian generally accepted accounting principles.
b) Discounts on investments are amortized on a straight-line basis over the life of the investments.
c) The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of these services are estimated and included in the financial statements.

3. Term Deposits, General Account

	2004	2003
Me-Dian Credit Union Of Manitoba Limited 2.75% due on May 29, 2003	—	$ 137,069
La Caisse Populaire de Saint Boniface Limitée 2.60% due on February 20, 2004	—	59,678
2.85% due on December 23, 2003	—	35,509
Province of Manitoba 3.05% due on June 23, 2003	—	32,000
Cambrian Credit Union - GIC 6.0% due on April 27, 2003	—	101,000
Buffalo Credit Union High yield savings account, interest bearing at a fixed rate of 3.10% effective April 16, 2003 until November 1, 2004 with interest paid semi-annually on June 30 and December 31.	378,899	—
	$ 378,899	$ 365,256

4. Cash, Commercial Fishing Account

	2004	2003
Buffalo Credit Union High yield savings account, interest bearing at a fixed rate of 3.10% effective April 16, 2003 until November 1, 2004 with interest paid semi-annually on June 30 and December 31.	$ 63,736	$ 61,842

5. Investments, General Account

	2004	2003
Me-Dian Credit Union of Manitoba Ltd. - Share at Cost	$ —	$ 5
Me-Dian Credit Union of Manitoba Ltd. - Surplus Shares	—	866
La Caisse Populaire de Saint-Boniface Limitée - Surplus Shares	627	578
Cambrian Credit Union - Surplus Shares		418
	$ 627	$ 1,867

6. Investments, Commercial Fishing Account

	2004	2003
Buffalo Credit Union - Share at Cost	$ 237	$ 210

7. Retained Earnings, Commercial Fishing Account

During 1993 and 1994, Northern Cooperative Services Ltd. donated $41,724 to the Board subject to the condition that these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba. These funds have earned interest and the balance available at March 31, 2004 is $ 64,467 (2003 - $62,493).

8. Change in accounting policy

The Cooperative Promotion Board changed its accounting policy to reflect administrative expenses paid on behalf of the Board by the Province of Manitoba, Department of Intergovernmental Affairs and the Department of Agriculture, Food and Rural Initiatives. This change in accounting policy has been applied prospectively since the information for the previous year was not available. This change in accounting policy has the effect of increasing both the revenue and expenditure of the Board in the current year by $4,216 with a neutral effect on the excess of revenue under expenditure.

9. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements, as no additional information would be provided by its inclusion.

10. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's financial statement presentation.

The Cooperative Promotion Board

SCHEDULE 1

Schedule Of Grants
for the year ended March 31, 2004

	2004	2003
AG Ventures Producers Co-op Ltd.	$ —	$ 889
Co-operative Housing Federation of Canada (Manitoba Office)	500	500
Intrinsix Canada Inc.	—	4,535
Manitoba Cooperative Council Inc.	7,250	4,750
Rat River Communications Co-op de communications Riviere-aux-Rats Inc.	1,294	—
Steinbach Fitness Co-op Inc.	—	2,000
	$ 9,044	$ 12,674

THE COUNCIL ON POST-SECONDARY EDUCATION

Responsibility for Financial Statements

The management of the Council on Post-Secondary Education is responsible for the financial reporting process that produces the financial statements and accompanying notes. The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The Council is responsible for overseeing management's performance of its financial reporting responsibilities. The statements are examined by the Auditor General of Manitoba, whose opinion is included herein.

In order to fulfil this responsibility, management maintains systems of internal control over the financial reporting process designed to provide assurance that relevant and reliable financial information is produced.

Margaret McDonald, CGA
Chief Financial Officer

Louise Gordon
Chief Executive Officer

July 7, 2004
Winnipeg, Manitoba

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To The Council on Post-Secondary Education

We have audited the statement of financial position of The Council on Post-Secondary Education as at March 31, 2004 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Council on Post-Secondary Education as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 14, 2004

THE COUNCIL ON POST-SECONDARY EDUCATION

Statement of Financial Position
For the year ended March 31, 2004

	2004	2003
ASSETS		
Current Assets:		
Cash on hand and in bank	$ 416,247	$ 517,285
Accounts Receivable	194,238	11,846
	610,485	529,131
Long-term receivable- Province of Manitoba (Note 3)	1,120,347	1,046,339
Capital Assets-net (Note 7)	42,095	53,502
Total Assets	$ 1,772,927	$ 1,628,972
LIABILITIES		
Current Liabilities:		
Accounts payable & accrued liabilities	$ 201,937	$ 84,231
Grants payable	124,389	6,518
	326,326	90,749
Long-term liabilities:		
Provision for employee severance benefits	113,300	89,430
Provision for employer's share of employees' pension benefits (Note 4)	1,016,206	942,198
	1,129,506	1,031,628
Total liabilities	1,455,832	1,122,377
Net Assets		
Investment in Capital Assets	42,095	53,502
Unrestricted Net Assets	275,000	453,093
	317,095	506,595
	$ 1,772,927	$ 1,628,972

THE COUNCIL ON POST- SECONDARY EDUCATION

Statement of Revenues and Expenses
For the year ended March 31, 2004

	Operating	College Expansion Initiative	2004 Total	2003 Total
Revenues:				
Province of Manitoba Grants:				
Department of Advanced Education	$ 371,573,535	$20,715,645	$ 392,289,180	$373,395,173
Other Government Departments	330,661	-	330,661	-
Interest Income	18,556	-	18,556	13,535
Total revenues	371,922,752	20,715,645	392,638,397	373,408,708
Expenses:				
Operating grants	328,826,585	-	328,826,585	318,174,360
Support programs	1,754,734	-	1,754,734	1,805,660
College Expansion Initiative grants	-	20,465,000	20,465,000	14,975,400
Post Secondary Strategic grants	2,066,114	-	2,066,114	2,080,464
Equipment & Renovations grants	6,245,600	-	6,245,600	6,245,600
Major Capital grants	10,975,000	-	10,975,000	8,975,000
Access grants	5,961,900	-	5,961,900	5,496,900
Tuition Rebate grants	12,277,191	-	12,277,191	11,529,783
Inter-Provincial Training Agreement	2,825,875	-	2,825,875	2,748,171
Administrative and other, Schedule 1	1,176,000	253,898	1,429,898	1,266,636
Total Expenses	372,108,999	20,718,898	392,827,897	373,297,974
Revenues over (under) expenses	$ (186,247)	$ (3,253)	$ (189,500)	$ 110,734

THE COUNCIL ON POST-SECONDARY EDUCATION

Statement of Changes in Net Assets - Post-Secondary Grants Fund
For the year ended March 31, 2004

	Invested in Capital Assets	Unrestricted Net Assets	2004 Total	2003 Total
Balance, Beginning of Year	53,502	453,093	506,595	395,861
Excess (deficiency) of Revenues over Expenses	-	(189,500)	(189,500)	110,734
Amortization	(11,407)	11,407	-	-
Balance, End of Year	$42,095	$275,000	$317,095	$506,595

Schedule 1

THE COUNCIL ON POST-SECONDARY EDUCATION

Schedule of Administrative and Other Expenses
For the year ended March 31, 2004

	Operating	College Expansion Initiative	2004 Total	2003 Total
Accessibility Forum	$ -	$ -	$ -	$ 2,969
Amortization	8,996	2,411	11,407	13,133
Automobile and travelling	37,876	4,914	42,790	36,942
Computer operating and lease costs	44,753	11,969	56,722	64,905
Consultation-Winnipeg	-	-	-	2,250
COPSE review and expenditures	-	-	-	30,281
Course and membership fees	4,365	930	5,295	5,739
Furniture and equipment	4,687	2,600	7,287	8,276
Meetings-Council	15,833	-	15,833	4,831
Miscellaneous Grants	46,500	-	46,500	42,135
Office rental	41,425	13,400	54,825	47,445
Postage and telephone	12,248	3,676	15,924	15,410
Printing and stationery supplies	28,644	1,443	30,087	11,440
Professional fees	30,637	-	30,637	17,325
Remuneration for Council members	36,654	-	36,654	25,236
Repairs & maintenance	-	-	-	152
Salaries and employee benefits	686,151	208,887	895,038	888,317
Subscriptions and books	2,312	-	2,312	3,091
Sundry	174,919	3,668	178,587	46,759
Total administrative & other expenses	$ 1,176,000	$ 253,898	$ 1,429,898	$ 1,266,636

Statement of Cash Flows
For the year ended March 31, 2004

	2004	2003
Cash from Operating Activities:		
Excess (Deficiency) of revenues over expenses for the year	$ (189,500)	$ 110,734
Amortization of Capital Assets	11,407	13,133
	(178,093)	123,867
Net Change in Non-Cash Working Capital Items:		
(Increase) Decrease in Accounts Receivable	(182,392)	8,033
Increase in Long-term Receivable	(74,008)	(103,695)
Increase (Decrease) in Accounts Payable	117,706	(4,950)
Increase in Grants Payable	117,871	3,545
	(198,916)	26,800
Cash Flow Provided by (Used In) Financing Activities:		
Increase (Decrease) in Provision for Severance Benefits	23,870	(12,417)
Increase in Provision for Employer's Share of Employees' Pension Benefits	74,008	103,695
	97,878	91,278
Cash Flows from Investing Activities:		
Purchase of Capital Assets	-	(746)
Increase (Decrease) in Cash for the Year	(101,038)	117,332
Cash, beginning of year	517,285	399,953
Cash, end of year	$ 416,247	$ 517,285

1. Nature of Operations

The Council on Post-Secondary Education was established by an Act of the Legislature passed in 1997 and is composed of 11 members appointed by the Lieutenant-Governor-in-Council.

The *Universities Grants Commission Act* was repealed effective April 28, 1997 by the Council on Post-Secondary Education Act.

The *Council on Post-Secondary Education Act* provided that the University Grants Fund be continued as the Post-Secondary Grants Fund. All assets and liabilities of the Universities Grants Commission were transferred to the Council on Post-Secondary Education.

Primarily, the Council on Post-Secondary Education provides funding to Manitoba's universities and community colleges for approved programs and capital projects from funds received from the Province of Manitoba.

The College Expansion Initiative provides funding to increase enrollment in diploma and certificate programs at Manitoba's community colleges. For financial reporting purposes, Revenue and Expenses for the Initiative have been segregated.

2. Significant Accounting Policies

A. Basis of Accounting

The Council on Post-Secondary Education's annual financial statements are prepared in accordance with Canadian generally accepted accounting principles.

B. Grant Payments

Operating, equipment and renovations, tuition rebate, Access, and strategic initiatives grants reflect payments to Manitoba universities and community colleges for annual operations. These grants are funded on the basis of scheduled payments to meet the operating requirements of the universities and community colleges. Operating grants are also provided to private religious colleges and to the Winnipeg Technical College.

Major capital grants based on shared cost agreements are funded on a reimbursement basis. The university must first incur eligible costs as defined in the terms of the agreement, which the Council then reimburses.

Major capital grants to universities that are discretionary grants are funded when the university has met the eligibility criteria and fulfilled the conditions set out by the Council.

C. Revenue Recognition

Revenue is recognized as funds are drawn from Province of Manitoba appropriations.

D. Vacation and Severance Benefits

Employees of the Council are entitled to vacation and severance benefits in accordance with the terms of the collective agreement. The liability for vacation and severance benefits is recorded based on the Council's best estimates.

E. Employer's Share of Employees' Pension Benefits

Employees of the Council are pensionable under the Civil Service Superannuation Act. The Council accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial report.

F. Capital Assets

Capital Assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful life, in accordance with the Province of Manitoba guidelines, as follows:

Furniture	10 years
Leasehold Improvements	10 years
Computer Software	4 years
Machinery and Equipment	10 years
Computer Equipment	4 years

G. Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

H. Financial Instruments

The Council on Post-Secondary Education's financial instruments consist of cash, accounts receivable, accounts payable, accrued liabilities and grants payable. Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these instruments. The fair value of these financial instruments approximates their carrying values.

3. Long-term Receivable – Province of Manitoba

A portion of the long-term receivable from the Province of Manitoba is for severance benefits accumulated by COPSE employees to March 31, 1998. The opening severance pay liability balance as at April 1, 1998 of $104,141 was completely offset by a long-term receivable from the Province of Manitoba. There are no terms of repayment for this receivable, and the amount will remain fixed at $104,141.

The remaining portion of the long-term receivable from the Province of Manitoba represents the employer's share of employees' pension benefits as at March 31, 2004 of $1,016,206 (2003 - $942,198). The Province of Manitoba will pay the employer's share of employees' pension benefits as they become due.

4. Provision for Employer's Share of Employees' Pension Benefits

	2004	2003
Balance at beginning of year	$ 942,198	$ 838,503
Experience gain	-	25,072
Benefits accrued	51,897	56,652
Interest accrued on benefits	69,570	64,108
Benefits paid	(47,459)	(42,137)
Balance at end of year	$ 1,016,206	$ 942,198

An actuarial valuation of the pension obligations as at December 31, 2001 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 7.25% (1998 – 7%), 2.75% inflation (1998 – 3%), salary rate increases of 4.5% (1998 – 4.5%) and post retirement indexing at 2/3 of the inflation rate. The entry age normal actuarial cost method was used and the liabilities have been extrapolated to March 31, 2004 using a formula provided by the actuary.

5. Economic Dependence

The Council is economically dependent on the Province of Manitoba for its funding.

6. Related party transactions

In addition to those related transactions disclosed elsewhere in these financial statements, the Council on Post-Secondary Education is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Council on Post-Secondary Education enters into transactions with these entities in the normal course of business.

7. Capital Assets, Net of Accumulated Amortization

	2004			2003
	Cost	Acc. Amort	Net Book Value	Net Book Value
Furniture	$ 63,388	$ 37,217	$ 26,171	$ 32,510
Leasehold Improvements	17,393	7,573	9,820	11,559
Computer Software	3,000	3,000	-	375
Machinery and Equipment	11,095	5,666	5,429	6,539
Computer Equipment	19,763	19,088	675	2,519
	$ 114,639	$ 72,544	$ 42,095	$ 53,502

8. Commitments

The Council on Post-Secondary Education has approved funding as listed below:

	Approved	Expended	Outstanding Commitments
Capital:			
University of Manitoba			
Capital Campaign	40,000,000	22,000,000	18,000,000
Chiller System – Fort Garry Campus	19,000,000	13,479,400	5,520,600
Total	$ 59,000,000	$ 35,479,400	$ 23,520,600

Future funding commitments were also approved for the following new programs:

College Expansion Initiative	$ 1,738,800
System Restructuring Envelope	325,900
Strategic Program Envelope	1,625,700
Total	$ 3,690,400

AUDITORS' REPORT

To the Members of
Crown Corporations Council

We have audited the balance sheet of **Crown Corporations Council** as at December 31, 2003 and the statement of income and reserve reflecting net investment in capital assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

Winnipeg, Canada,
February 25, 2004

Chartered Accountants

CROWN CORPORATIONS COUNCIL

BALANCE SHEET

	December 31	
	2003	2002
ASSETS	(thousands of dollars)	
Current:		
Cash	$ 465	$ 346
Accounts receivable	7	7
	472	353
Capital assets (note 4)	5	7
	$ 477	$ 360
LIABILITIES AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 56	$ 60
Levies received in advance	146	190
Due to Manitoba Crown corporations (note 3)	195	50
	397	300
Retirement allowances and other benefits payable (notes 2(d) and 5)	75	53
	472	353
Reserve reflecting net investment in capital assets	5	7
	$ 477	$ 360

Approved by the Board

Chairman

Director

(see accompanying notes)

CROWN CORPORATIONS COUNCIL

STATEMENT OF INCOME AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS

	Year Ended December 31 2003	 2002
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	$ 623	$ 645
Interest	7	4
	630	649
Expenses		
Salaries and benefits	447	462
Board remuneration and expenses	79	78
Rent	67	65
Office supplies and printing	10	9
Automobile expense	8	7
Telephone and courier	5	4
Professional fees	4	10
Professional development	4	7
Equipment rental and maintenance	3	4
Depreciation	2	2
Travel	2	2
Insurance and miscellaneous	1	1
	632	651
Excess of expenses over income	$ (2)	$ (2)
Reserve reflecting net investment in capital assets, beginning of year	7	9
Reserve reflecting net investment in capital assets, end of year	$ 5	$ 7

(see accompanying notes)

1. Nature of organization

The Crown Corporations Council (the "Council") is a body corporate established on June 5, 1989 under the Crown Corporations Public Review and Accountability Act.

The mandate of the Council is to facilitate clear mandates, development of performance measures and consistent practices and to review corporate plans of Crown corporations under its purview.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those principles considered particularly significant for the Council.

a) Recoveries of expenses from Crown corporations

Operating expenses are recovered from the Crown corporations through the assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred. In addition, certain direct costs incurred on behalf of particular corporations are recovered directly from the respective Crown corporations.

b) Reserve reflecting the net investment in capital assets

The purchase of capital assets is funded through operating expense levies assessed to Crown corporations. The reserve reflects levies assessed to the Crown corporations with respect to the Council's capital assets.

c) Capital Assets

Capital assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

d) Retirement allowances

Retirement allowances are provided to certain qualifying employees. The costs of benefits earned by employees are charged to expenses as services are rendered. The cost reflects management's best estimates of the length of service, salary increases and ages at which employees will retire. In addition, adjustments arising from plan amendment, changes in assumptions, experience gains and losses, and the actuarial present value of the accrued entitlement as at January 1, 2000 are being amortized to expenses on a straight line basis over the expected average remaining service life of the employee group. The unamortized balance of the January 1, 2000 actuarial present value of the accrued entitlement is $29,000 at December 31, 2003 (2002 - $32,600).

---

3. Due to Manitoba Crown corporations

These amounts represent a retroactive adjustment to levies based on Council's actual expenses.

4. Capital assets

These are comprised entirely of office furniture and equipment and computer equipment.

	December 31 2003	2002
	(in thousands of dollars)	
Cost		
Office furniture and equipment	$58	$58
Computer equipment	56	56
	$114	$114
Accumulated depreciation		
Office furniture and equipment	54	52
Computer equipment	55	55
	109	107
Net book value	$ 5	$ 7

5. Pension costs and obligations

Employees of the Council are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Council is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund. In addition, one employee is entitled to enhanced pension benefits. The cost of the benefits earned by the employee is charged to expenses as services are rendered. The cost reflects management's best estimate of salary increases and the age at which the employee will retire.

6. Lease commitments

The Council is committed under a premises lease expiring on April 30, 2005 to annual basic rental payments of approximately $32,400 and annual common area and operating costs of approximately $30,800.

7. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Members of the Economic Innovation and Technology Council

We have audited the balance sheet of the Economic Innovation and Technology Council as at March 31, 2004 and the statements of revenue, expenditure and funds retained, the statement of Economic Innovation and Technology Fund revenue and grant expenditure and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 23, 2004

Economic Innovation and Technology Council

Exhibit A

Balance Sheet

March 31	2004	2003
Assets		
Current		
Petty cash	$ 400	$ 400
Funds on deposit		
Minister of Finance		
Cash	280,028	2,494
Other	425	6,213
Accounts receivable		
Province of Manitoba	3,294	100,989
Other	45,808	35,881
Note receivable (Note 3)		124,999
	329,955	270,976
Investment in Manitoba Technology Centre Ltd. (Note 4)	1	1
	$ 329,956	$ 270,977
Liabilities		
Current		
Accounts payable and accrued liabilities		
Province of Manitoba	$ 103,643	$ 65,660
Other	-	22,208
Deferred revenue	93,624	23,950
	197,267	111,818
Equity		
Funds retained (Exhibit B)	132,689	159,159
	$ 329,956	$ 270,977

See accompanying notes to the financial statements.

Economic Innovation and Technology Council

Exhibit B

Statements of Revenue, Expenditure and Funds Retained

Year Ended March 31	2004	2003
Revenue		
Government of Canada, program grant	$ 46,936	$ 62,474
Sundry	53,688	3,739
	100,624	66,213
Expenditure		
Operating expenses (Schedule 1)	127,094	328,888
Deficiency of revenue over expenditure	$ 26,470	$ 262,675

Funds retained, beginning of year	$ 159,159	$ 421,834
Deficiency of revenue over expenditure	26,470	262,675
Funds retained, end of year (Exhibit A)	$ 132,689	$ 159,159

See accompanying notes to the financial statements.

Economic Innovation and Technology Council

Exhibit C

Statement of Project Revenue and Expenditures

Year Ended March 31	2004	2003 (Note 8)
Revenue (by Program/Project)		
Beyond 2002		
Event registrations	$	$ 3,976
Bio Technology		
Contribution from Province of Manitoba (Note 5)		39,223
Event registrations	**9,079**	16,952
Event sponsorships	**5,164**	
Business of Science		
Contribution from Province of Manitoba (Note 5)	**14,018**	22,808
Event registrations	**29,409**	15,811
Event sponsorships	**108,048**	70,234
MindSet - Science and Technology Awareness		
Contribution from Province of Manitoba (Note 5)	**217,169**	201,606
Program registrations	**1,300**	2,500
Program sponsorships	**34,535**	28,500
Pharma Tech		
Program sponsorships	**28,069**	
Targeted Geoscience Initiatives		
Contribution from Government of Canada	**279,136**	
	725,927	401,610
Expenditures (by Program/Project)		
Beyond 2002		3,976
BioTechnology	**14,243**	56,175
Business of Science	**151,475**	108,853
MindSet - Science and Technology Awareness	**253,004**	232,606
PharmaTech	**28,069**	
Targeted Geoscience Initiatives	**279,136**	
	725,927	401,610
Excess of revenue over expenditures retained	**$ -**	$ -

See accompanying notes to the financial statements.

Economic Innovation and Technology Council

Exhibit D

Statement of Cash Flows

Year Ended March 31	2004	2003
Increase (decrease) in cash and funds on deposit		
Operating		
Deficiency of Council operations revenue over expenditure (Exhibit B)	$ (26,470)	$ (262,675)
Net changes in non-cash working capital balances		
Accounts receivable	87,768	(22,358)
Note receivable	124,999	103,067
Prepaid expenses		5,000
Accounts payable and accrued liabilities	15,775	(18,162)
Deferred revenue	69,674	23,950
Net increase (decrease) in cash	271,746	(171,178)
Cash and funds on deposit, beginning of year	9,107	180,285
Cash and funds on deposit, end of year	$ 280,853	$ 9,107
Represented by:		
Cash	$ 400	$ 400
Funds on deposit		
Minister of Finance		
Cash	280,028	2,494
Other	425	6,213
	$ 280,853	$ 9,107

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Notes to the Financial Statements

March 31, 2004

1. Establishment of the Council and nature of operations

The Economic Innovation and Technology Council (EITC) was established by the Economic Innovation and Technology Council Act on September 1, 1992. Pursuant to the Act, the purpose of EITC is to foster economic development and to support economic restructuring and commercialization in technology so as to enable Manitoba to compete effectively in a global market economy. EITC's mission statement is "to promote and enhance a climate of innovation, entrepreneurship, and technological development that spurs responsible economic development for the benefit of Manitobans".

EITC is economically dependent upon the Province of Manitoba.

2. Significant accounting policies

a) Basis of reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

b) Cash and funds on deposit

Cash and funds on deposit include cash on hand, balances with the Minister of Finance, short-term deposits with original maturities of three months or less and balances with banks.

c) Use of estimates

In preparing the Council's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Note receivable

The note receivable that arose from the redemption of EITC's common shares in Manitoba Technology Centre Ltd. (MTC) for $434,200 was non-interest bearing and was fully repaid on June 1, 2003.

4. Investment in Manitoba Technology Centre Ltd.

Effective June 1, 1996, EITC discontinued its role in the operations of the Environmental Sciences Centre (ESC). Prior to June 1, 1996, the financial activities of ESC were reflected in the financial statements of EITC. On June 1, 1996, EITC entered into a public/private partnership with Enviro-Test Laboratories, a division of ETL Chemspec Analytical Limited (ETL). A new corporation, Manitoba Technology Centre Ltd. (MTC), was incorporated and certain assets of EITC, namely the assets of ESC, were transferred to MTC pursuant to an Asset Purchase Agreement in exchange for 25 Class A Common Shares with a paid-up capital value of $25, 1,500,000 Class A Special Preferred Shares with a redemption and paid-up capital value of $875,000, and 1 Class B Special Preferred Share with a paid-up capital value of $1. Subsequent to the Asset Purchase Agreement, MTC issued 75 Class A Common Shares with a paid-up capital value of $75 to ETL. A Unanimous Shareholders Agreement between EITC and ETL sets out the rights and obligations in respect of the shares of MTC. The regular operations and management of MTC are the responsibility of ETL.

Class A Special Preferred Shares

Each Class A Special Preferred Share was non-voting, redeemable and retractable on a semi-annual basis, with one share cancelled for each dollar contributed or invested by ETL in equipment, facilities, management and marketing. The redemption amount of the shares was equal to the agreed value of ESC's contributed assets of $875,000 divided by 1,500,000 or $.5833 per share. As part of the Unanimous Shareholders Agreement, ETL is committed to contributing $1,500,000 over the first three years of the agreement.

All Class A Special Preferred Shares were redeemed prior to May 31, 2002.

Class B Special Preferred Share

The Class B Special Preferred Share is non-voting, retractable and redeemable at $1.00 per share.

Effective May 31, 2002, EITC has the option of retaining ownership of the Class B Special Preferred Share as long as it may wish and be entitled for so long as it holds this share to nominate one director to the Board of Directors provided that:

1. EITC no longer holds any common shares;

2. MTC continues to occupy premises owned by the Province of Manitoba; and

3. MTC has material contracts with the Province of Manitoba.

Common Shares

On May 31, 1999, MTC redeemed EITC's 25 common shares with a paid up capital value of $25 for $434,200.

The redemption price was paid in instalments and has been fully paid as disclosed in Note 3. A gain of $434,175 resulting from this redemption has been recorded.

5. Related party transactions

EITC is related in terms of common ownership to all departments, agencies and Crown corporations created by the Province of Manitoba. EITC enters into transactions with these entities in the normal course of business.

6. Pension plan

In accordance with the provisions of The Civil Service Superannuation Act, employees of EITC are required to contribute to the Civil Service Superannuation Fund at prescribed rates for defined benefits. EITC is required to make contributions equal to the amounts contributed to the Fund by employees. Under this Act, EITC has no further pension liability.

7. Financial instruments

The Council's financial instruments consist of cash, funds on deposit, accounts receivable, Investment in Manitoba Technology Centre, accounts payable and accrued liabilities and deferred revenue. It is management's opinion that the Council is not exposed to significant credit or interest rate risk. The fair value of these financial instruments approximates their carrying values.

8. Comparative figures

Certain of the 2003 comparative figures have been changed to conform to the financial statements presentation adopted for the current year

Economic Innovation and Technology Council

Schedule 1

Schedule of Expenses

Year Ended March 31

	2004	2003
Advertising and promotion	$ 10,367	$ 56,370
Canadian Technology Network	47,771	62,474
Council activities	20,531	62,500
Equipment rental and maintenance	36	230
Fees, memberships and conferences		8,107
Postage, delivery and telephone	342	150
Printing and stationery	1,111	515
Professional fees	16,725	5,958
Purchased services	30,071	104,671
Rental and property tax	140	1,761
Travel		26,152
	$ 127,094	$ 328,888

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To The Legislative Assembly and
The Directors of The Manitoba Horse Racing Commission

We have audited the balance sheet of The Manitoba Horse Racing Commission as at March 31, 2004 and the statements of operating revenue and expenditure and fund balances and general fund operating expenditure for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
April 30, 2004

THE MANITOBA HORSE RACING COMMISSION

Exhibit A

Balance Sheet
as at March 31, 2004
(with 2003 figures for comparison)

	General Fund	Restricted Funds			General Support Fund	Total Year ended March 31	
Assets		Pari-mutuel Levy Fund	H.B.P.A. Fund	C.T.H.S. Fund		2004	2003 (Note 6)
Current assets:							
Cash on hand and in bank	$ 119,982	$ -	$ 82,095	$ 272,467	$ -	$ 474,544	$ 611,538
Due from General Fund	-	-	-	-	-	-	28,150
Pari-mutuel levy receivable	-	18,835	-	-	-	18,835	4,983
Pari-mutuel levy distribution receivable	1,867	-	13,151	3,817	-	18,835	4,983
Receivable - other	3,238	-	-	-	-	3,238	-
	125,087	18,835	95,246	276,284	-	515,452	649,654
Long-term receivable							
Province of Manitoba (Note 3)	190,344	-	-	-	-	190,344	174,473
	$ 315,431	$ 18,835	$ 95,246	$ 276,284	$ -	$ 705,796	$ 824,127
Liabilities							
Current liabilities:							
Accounts payable and accrued liabilities	$ 21,549	$ -	$ 95,246	$ 276,284	$ -	$ 393,079	$ 405,028
Deferred revenue	2,700	-	-	-	-	2,700	2,194
Due to C.T.H.S. Fund	-	3,817	-	-	-	3,817	958
Due to General Fund	-	1,867	-	-	-	1,867	511
Due to General Support Fund	-	-	-	-	-	-	28,150
Due to H.B.P.A. Fund	-	13,151	-	-	-	13,151	3,514
	24,249	18,835	95,246	276,284	-	414,614	440,355
Long-term liability:							
Provision for employee pension benefits (Note 3)	190,344	-	-	-	-	190,344	174,473
	214,593	18,835	95,246	276,284	-	604,958	614,828
Unrestricted fund balances end of year, Exhibit B	100,838	-	-	-	-	100,838	209,299
	$ 315,431	$ 18,835	$ 95,246	$ 276,284	$ -	$ 705,796	$ 824,127

APPROVED BY THE COMMISSION

See accompanying notes to the financial statements.

THE MANITOBA HORSE RACING COMMISSION

Exhibit B

Statement of Operating Revenue and Expenditure and Fund Balances
for the year ended March 31, 2004
(with 2003 figures for comparison)

		Restricted Funds				Total	
	General Fund	Pari-mutuel Levy Fund	H.B.P.A. Fund	C.T.H.S. Fund	General Support Fund	Year ended March 31 2004	2003 (Note 6)
Revenue:							
Fees, licenses and fines (Note 4)	$ 99,456	$ -	$	$ -	$ -	$ 99,456	$ 100,554
Grant from the Government of the Province of Manitoba	40,000	-		-	201,700	241,700	297,800
Interest	2,822	-	2,166	5,006	-	9,994	9,978
Pari-mutuel levy		3,422,435		-	-	3,422,435	3,425,444
Pari-mutuel levy fund distribution	354,207	-	2,419,621	648,607	-	3,422,435	3,425,444
Sundry	149	-		-	-	149	112
Employee future benefits - Province of Manitoba (Note 3)	15,871	-		-	-	15,871	1,350
	512,505	3,422,435	2,421,787	653,613	201,700	7,212,040	7,260,682
Expenditure:							
General Fund expenditures, Exhibit C	471,992	-	-	-	-	471,992	470,576
Overnight purse support thoroughbred	-	-	2,421,787	-	-	2,421,787	2,427,956
Owners/breeders incentive thoroughbred	-	-	-	653,613	-	653,613	647,211
Pari-mutuel levy fund distribution	-	3,422,435	-	-	-	3,422,435	3,425,444
Quarter Horse support	-	-	-	-	18,857	18,857	17,633
Standardbred rural support	-	-	-	-	331,817	331,817	258,356
	471,992	3,422,435	2,421,787	653,613	350,674	7,320,501	7,247,176
Excess (deficiency) of revenues over expenditures	40,513	-	-	-	(148,974)	(108,461)	13,506
Fund transfers (Note 2F)	(148,974)	-	-	-	148,974	-	-
Fund balances, beginning of year	209,299	-	-	-	-	209,299	195,793
Fund balances, end of year	$ 100,838	$ -	$ -	$ -	$ -	$ 100,838	$ 209,299

See accompanying notes to the financial statements.

THE MANITOBA HORSE RACING COMMISSION Exhibit C

Statement of General Fund Operating Expenditure
for the year ended March 31, 2004
(with 2003 figures for comparison)

	2004	2003 (Note 6)
Expenditure:		
Advertising and promotion	$ 71	$ 374
Commissioners' per diem and honoraria	17,268	25,803
Drug, alcohol and security	6,453	20,588
Employee benefits	27,523	24,202
Equipment and office furniture	114	3,503
Equipment rentals	3,856	4,640
Memberships and dues	911	6,016
Office	3,337	7,670
Pension cost	23,153	7,447
Professional fees	48,220	81,333
Recruiting costs	56	152
Repairs and maintenance	19,261	14,626
Salaries		
Administration	113,901	51,644
Security	32,187	32,919
Stewards and judges	73,927	116,242
Veterinarian services	47,151	45,532
Sundry	2,287	804
Telephone	7,596	7,057
Travel	44,720	20,024
	$ 471,992	$ 470,576

See accompanying notes to the financial statements.

THE MANITOBA HORSE RACING COMMISSION

Notes to the Financial Statements
for the year ended March 31, 2004

1. Nature of operations

The Manitoba Horse Racing Commission (Commission) was established under The Horse Racing Commission Act to govern, direct, control and regulate horse racing and the operations of horse race tracks in Manitoba.

The operating expenditures of the Commission in excess of revenue derived from its regulatory activities are funded through an appropriation of the Government of the Province of Manitoba. Administrative grant monies drawn down in excess of actual expenditures are retained by the Commission. However, such retained funds in excess of actual expenditures reduce subsequent administrative grants.

Revenues and expenditures related to program delivery and administrative activities of the Commission are reported in the General Fund.

Effective April 1, 1997, Pari-mutuel Levy and Consequential Amendments Act (the "Act") was enacted. The Act provides for the establishment of a Pari-mutuel Levy Fund for the promotion of horse racing in Manitoba. The fund is collected by the Commission and distributed in accordance with a Plan For Distribution, as required by the Act.

Horsemen's Benevolent Protection Association (H.B.P.A.) Fund is to be used for overnight purses at Assiniboia Downs. Funding for the H.B.P.A. Fund is provided through the Pari-mutuel Levy and Consequential Amendments Act based on the Plan For Distribution approved by the minister.

Canadian Thoroughbred Horsemen Society (C.T.H.S.) Fund is to be used for breeder's and owner's incentives at Assiniboia Downs. Funding for the C.T.H.S. Fund is provided through the Pari-mutuel Levy and Consequential Amendments Act based on the Plan For Distribution approved by the minister.

General Support Fund is used for funding of the rural circuit as well as Quarter Horse racing. Funding for the General Support Fund is provided through a grant from the Government of the Province of Manitoba, and a transfer from the General Fund.

2. Significant accounting policies

A) Fund accounting

The Commission follows the restricted fund method of accounting for contributions.

B) Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Funding from the Province of Manitoba includes the Commission's share of provisions recorded for unfunded pension liabilities.

C) Pension costs

These consist of the employer's share of pension benefits paid to retired employees, as well as the increase in the employee pension benefits liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years determined by formula provided by the actuary. The most recent valuation was completed as at December 31, 2001. Experience gains or losses are recognized in the year the actuarial valuation is completed.

D) Use of estimates

In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

E) Financial instruments

The Commission's financial instruments consist of cash, accounts receivable, accounts payable and deferred revenue. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

F) Fund transfers

Fund transfers represent allocations from the General fund to the General Support Fund for the purpose of supplementing rural racing in Manitoba.

3. Provision for employee pension benefits

The Commission follows the accrual method of accounting for its employee pension benefits liability.

The Province of Manitoba has accepted responsibility for the unfunded portion of the pension liability. Accordingly the provision of employee pension benefits is offset by a receivable from the Province of Manitoba. There are no specific terms of repayment for this receivable.

An actuarial valuation of the employee pension benefit liability as at December 31, 2001 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 7.25% (1998 - 7.5%), 2.75% inflation (1998 - 3.00%), salary rate increases of 4.5% (1998 - 4.5%) and post retirement indexing at 2/3 of the inflation rate. The service to date projected benefit method was used and the liabilities have been extrapolated to March 31, 2004 using a formula provided by the actuary and adjusted for a provision for adverse experience and a trust fund credit.

Provision for employer's share of employees' pension plan:

	2004	2003
Balance, beginning of year	**$ 174,473**	173,123
Experience loss (gain)		(16,430)
Benefits accrued	**11,262**	11,259
Interest accrued on benefits	**11,891**	11,980
Benefits paid	**(7,282)**	(5,459)
Balance, end of year	**$ 190,344**	$ 174,473

THE MANITOBA HORSE RACING COMMISSION

Notes to the Financial Statements
for the year ended March 31, 2004

4. Fees, licenses and fines

	2004	2003
Assiniboia Downs		
Daily licenses	$ 49,040	$ 52,050
Fees and licenses	36,312	36,476
Fines	12,505	9,958
	97,857	98,484
Rural Circuit		
Daily licenses	60	
Fees and licenses	915	720
Fines	624	1,350
	1,599	2,070
	$ 99,456	$ 100,554

5. Statement of cash flows

A statement of cash flows has not been provided as information about financing and investing activities and their effects on cash resources are readily apparent from the other financial statements.

6. Comparative figures

Certain of the 2003 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2004.

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AUDITORS' REPORT

To the Members of Insurance Council of Manitoba

We have audited the statement of financial position of Insurance Council of Manitoba as at March 31, 2004 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada
April 23, 2004

INSURANCE COUNCIL OF MANITOBA

Statement of Financial Position

March 31, 2004, with comparative figures for 2003

	2004	2003
Assets		
Current assets:		
Cash	$ 105,515	$ 100,157
Short-term investments (note 2)	45,225	104,034
Accounts receivable	2,750	-
Interest receivable	8,295	7,260
Prepaid expenses	7,125	-
	168,910	211,451
Long-term investments (note 3)	300,000	300,000
Capital assets (note 4)	52,405	44,011
	$ 521,315	$ 555,462
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 31,059	$ 39,679
Deferred revenue	94,824	86,586
	125,883	126,265
Net assets	395,432	429,197
Commitments (note 7)		
	$ 521,315	$ 555,462

See accompanying notes to financial statements.

INSURANCE COUNCIL OF MANITOBA

Statement of Operations and Changes in Net Assets

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
Revenue:		
Licenses (note 5)	$ 449,048	$ 441,689
Examinations	14,450	32,431
Other	38,034	28,148
Interest income	15,993	15,495
	517,525	517,763
Expenses:		
Advertising, dues and subscriptions	1,610	1,928
Amortization	16,150	16,125
Bad debts	8,848	-
Bank charges and interest	601	1,136
Computer consulting fees	4,827	5,981
Council	17,660	18,765
Equipment leases	5,130	6,152
Insurance	4,962	1,038
Loss on disposal of capital assets	744	-
Meetings and trips	33,128	34,886
Office and equipment rental	23,550	23,976
Postage and courier	19,354	20,127
Professional fees	43,130	54,849
Rent	63,062	55,480
Salaries and benefits	297,376	269,406
Telephone	7,861	10,417
Training	3,297	1,131
	551,290	521,397
Deficiency of revenue over expenses	(33,765)	(3,634)
Net assets, beginning of year	429,197	432,831
Net assets, end of year	$ 395,432	$ 429,197

See accompanying notes to financial statements.

INSURANCE COUNCIL OF MANITOBA

Statement of Cash Flows

Year ended March 31, 2004, with comparative figures for 2003

		2004		2003
Cash provided by (used in):				
Operations:				
Deficiency of revenue over expenses	$	(33,765)	$	(3,634)
Items not involving cash:				
Amortization of capital assets		16,150		16,125
Loss on disposal of capital assets		744		-
Change in non-cash operating working capital:				
Accounts receivable		(2,750)		-
Interest receivable		(1,035)		(7,260)
Prepaid expenses		(7,125)		-
Accounts payable and accrued liabilities		(8,620)		6,843
Deferred revenue		8,238		6,797
		(28,163)		18,871
Financing and investing:				
Purchase of capital assets		(25,888)		(4,973)
Proceeds on disposal of capital assets		600		-
Purchase of investments		-		(300,000)
		(25,288)		(304,973)
Decrease in cash		(53,451)		(286,102)
Cash, beginning of year		204,191		490,293
Cash, end of year	$	150,740	$	204,191
Cash is defined as:				
Cash	$	105,515	$	100,157
Short-term investments		45,225		104,034
	$	150,740	$	204,191

See accompanying notes to financial statements.

General:

The Council was created under the provisions of the *Insurance Act* (Manitoba) on October 17, 1991 and commenced activities on May 6, 1992. The purpose of the Council is to administer the examinations for and licensing of insurance agents in Manitoba. The Council is exempt from income taxes under section 149(1) of the *Income Tax Act.*

1. **Significant accounting policies:**

(a) Fee revenue:

License fees are recognized as income over the term of the license period, other fee revenue is recognized as collected.

(b) Investments:

Investments in short-term securities are recorded at cost.

Investments in long-term securities are recorded at cost. When there is an other than temporary decline in the fair value of investments, the carrying value is reduced to fair value.

(c) Capital assets:

Capital assets are recorded at cost and are amortized over their estimated useful lives as follows:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer hardware and software	Declining balance	30%

(d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Short-term investments:

	2004	2003
Bank of Montreal premium money market fund	$ 45,225	$ 104,034

The fair value of the short-term investment approximates the carrying value.

3. Long-term investments:

	2004		2003	
	Market	Cost	Market	Cost
Manitoba Hydro bonds, 4.75%, maturing June 15, 2005	$ 150,000	$ 150,000	$ 150,000	$ 150,000
Bank of Montreal mortgage GIC, 3.6%, maturing October 18, 2004	52,635	50,000	50,801	50,000
Manulife Bank GIC, 3.5%, maturing March 4, 2005	51,887	50,000	50,127	50,000
Manitoba Builder Bonds 4.25%, maturing June 15, 2008	50,000	50,000	-	-
Canadian Western Bank GIC, 3.20%, maturing October 20, 2003	-	-	50,000	50,000
	$ 304,522	$ 300,000	$ 300,928	$ 300,000

The investments are classified as long-term since it is the intent of the Council to reinvest the investments when they mature.

4. Capital assets:

			2004	2003
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 38,013	$ 30,525	$ 7,488	$ 9,361
Computer hardware	80,045	54,417	25,628	19,164
Computer software	85,061	65,772	19,289	15,486
	$ 203,119	$ 150,714	$ 52,405	$ 44,011

5. Related party transactions:

The Council and the Office of the Superintendent of Insurance of Manitoba ("OSIM") levy fees on members. The Council acts as agent and remits 46% of fees to the OSIM. This 46% is not included in the financial statements. In 2004, this amount is $413,271 (2003 - $426,765).

Included in accounts payable and accrued liabilities is $19,541 (2003 - $29,410) payable to OSIM.

6. Employee benefits:

The Council matches employee RRSP contributions. Employees may contribute up to 5.1% on the first $35,400 of earnings and up to 7% on earnings thereafter to a maximum of $13,500. The Council's contributions to employee RRSPs for the year ended March 31, 2004 were $12,667 (2003 - $12,340).

7. Commitments:

The Council leases equipment and office premises under the provisions of operating leases which expire up to February 12, 2007. The Council has also committed to pay $5,100 per year for joint development of programs to 2007. Commitments to expiry are as follows:

2005	$ 70,646
2006	38,856
2007	7,732

8. Financial assets and financial liabilities:

The fair value of short-term investments and long-term investments is described in notes 2 and 3, respectively. The carrying values of accounts receivable, interest receivable, and accounts payable and accrued liabilities approximate their fair value due to their relatively short periods to maturity.

9. Contributed services:

The work of the Council is dependent on the voluntary services of members. The value of donated services is not recognized in these financial statements.

10. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

HMA

HAUGEN MORRISH ANGERS
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To The Board of Governors
Keewatin Community College

We have audited the balance sheet of Keewatin Community College as at June 30, 2003 and the statements of changes in fund balances, operations and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Haugen Morrish Angers
CHARTERED ACCOUNTANTS

The Pas, Manitoba
September 8, 2003

KEEWATIN COMMUNITY COLLEGE

STATEMENT 1

BALANCE SHEET

JUNE 30

	KCC Fund	IUN Fund	NFDC Fund	Trust and Endowment Fund	Combined 2003	Combined 2002
ASSETS						
CURRENT						
Cash and short term investments	$ 2,785,651	$ 81,587	$ 67,407	$ 134,660	$ 3,069,305	$ 2,791,987
Accounts receivable *(Note 3)*	700,980	56,365	14,372		771,717	706,057
Due from COPSE *(Note 4)*	381,541				381,541	384,007
Inventory	132,975		39,222		172,197	144,693
Prepaid expenses	30,365	3,322	—	—	33,687	46,181
	4,031,512	141,274	121,001	134,660	4,428,447	4,072,925
CAPITAL ASSETS *(Note 5)*	1,471,735	55,031			1,526,766	1,457,671
DUE FROM PROVINCE OF MANITOBA *(Note 6)*	1,541,079	5,010	—	—	1,546,089	1,546,089
TOTAL ASSETS	$ 7,044,326	$ 201,315	$ 121,001	$ 134,660	$ 7,501,302	$ 7,076,685
LIABILITIES						
CURRENT						
Accounts payable *(Note 7)*	$ 602,435	$ 23,069	$	$	$ 625,504	$ 510,205
Due to (from) other funds	34,582	(58,903)	24,321			
Deferred grant revenue *(Note 8)*	1,032,880	110,890	73,907		1,217,677	1,473,986
Accrued vacation benefits	1,245,707	48,906	20,228	—	1,314,841	1,433,735
	2,915,604	123,962	118,456		3,158,022	3,417,926
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS *(Note 9)*	551,384	55,031			606,415	450,454
ACCRUED SEVERANCE BENEFITS	1,169,774	22,322	2,545	—	1,194,641	1,085,319
	4,636,762	201,315	121,001	—	4,959,078	4,953,699
FUND BALANCES						
FUND SURPLUS (DEFICIT)						
CONTRIBUTED SURPLUS	218,701				218,701	218,701
NET ASSETS INVESTED IN CAPITAL ASSETS	920,351				920,351	1,007,217
NET ASSETS RESTRICTED FOR TRUST & ENDOWMENT PURPOSES				134,660	134,660	119,547
UNRESTRICTED NET ASSETS	1,268,512	—	—	—	1,268,512	777,521
	2,407,564	—	—	134,660	2,542,224	2,122,986
TOTAL LIABILITIES & FUND BALANCES	$ 7,044,326	$ 201,315	$ 121,001	$ 134,660	$ 7,501,302	$ 7,076,685

KEEWATIN COMMUNITY COLLEGE

STATEMENT 2

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30

	Unrestricted			Restricted	Net Assets Invested In Capital Assets		Contributed Surplus	
	KCC Fund	IUN Fund	NFDC Fund	Trust and Endowment Fund	KCC Fund	IUN Fund	KCC Fund	Combined 2003
FUND SURPLUS, *beginning of year*	$ 822,339	$	$ (44,818)	$ 119,547	$ 1,007,217	$	$ 218,701	$ 2,122,986
EXCESS REVENUE (EXPENDITURES)								
Keewatin Community College Fund	359,307							359,307
Inter-Universities North Fund								
Northern Forest Diversification Centre Fund			44,818					44,818
Trust and Endowment Fund				15,113				15,113
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS								
Amortization expense	165,089	8,459			(165,089)	(8,459)		
Amortization of deferred contributions related to capital assets	(78,223)	(8,459)			78,223	8,459		
Purchase of capital assets	196,275	46,368			(196,275)	(46,368)		
Deferred contributions related to capital assets	(196,275)	(46,368)	...	...	196,275	46,368	...	...
FUND SURPLUS, *end of year*	$ 1,268,512	$ 0	$ 0	$ 134,660	$ 920,351	$ 0	$ 218,701	$ 2,542,224

KEEWATIN COMMUNITY COLLEGE

STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30

	KCC Fund	IUN Fund	NFDC Fund	Trust and Endowment Fund	COMBINED 2003	COMBINED 2002
REVENUES						
Grants						
Council on Post-Secondary Education	$ 13,447,711	$ 871,793	$	$	**$ 14,319,504**	$ 13,394,712
Other *(Schedule 1)*	647,488		419,604		**1,067,092**	1,038,483
Amortization of deferred contributions related to capital assets	78,223	8,459			**86,682**	60,208
Ancillary sales and services *(Schedule 2)*	1,416,537		74,443		**1,490,980**	1,544,929
Donations	379			108,033	**108,412**	135,269
Gain on disposal of capital assets						1,200
Investment income	95,022	4,496	9,485	3,080	**112,083**	77,908
Market Driven Training	1,297,812		27,830		**1,325,642**	972,028
Tuition and student fees *(Schedule 3)*	2,007,875	574,526			**2,582,401**	2,509,716
Other revenue	395,521	6,614	7,936	...	**410,071**	573,294
	19,386,568	1,465,888	539,298	111,113	**21,502,867**	20,307,747
EXPENDITURES *(Schedule 4)*						
Advertising	154,598	24,400	28,168		**207,166**	238,575
Amortization of capital assets	165,089	8,459			**173,548**	156,023
Bad debts	81,373	3,888			**85,261**	161,962
Cost of Goods Sold	816,631		86,203		**902,834**	933,842
Employee benefits	1,081,930	84,470			**1,166,400**	1,026,753
Insurance	47,374	3,075	256		**50,705**	34,162
Library acquisitions	50,006				**50,006**	38,994
Facility costs	654,567				**654,567**	625,217
Furniture and minor equipment	553,436	22,173	10,827		**586,436**	612,372
Maintenance and repairs	135,397	1,358	3,166		**139,921**	100,393
Operational supplies and services	1,686,390	153,085	75,198		**1,914,673**	1,719,503
Property taxes	445,638				**445,638**	426,564
Rentals and leases	267,358	15,340	11,873		**294,571**	272,498
Salaries	11,909,666	924,482	237,512		**13,071,660**	12,332,375
Scholarships and bursaries				96,000	**96,000**	98,500
Telephone and communication	359,593	11,260	5,507		**376,360**	392,246
Travel and hospitality	498,323	213,898	27,252		**739,473**	716,335
Utilities	119,892	...	8,518	...	**128,410**	111,387
	19,027,261	1,465,888	494,480	96,000	**21,083,629**	19,997,701
EXCESS OF REVENUES OVER EXPENDITURES	$ 359,307	$ 0	$ 44,818	$ 15,113	**$ 419,238**	$ 310,046

KEEWATIN COMMUNITY COLLEGE

STATEMENT 4

STATEMENT OF CASH FLOWS

	YEAR ENDED JUNE 30	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess Revenue (Expenditures)		
Keewatin Community College Fund	$ 359,307	$ 337,063
Inter-Universities North Fund		
Northern Forest Diversification Centre Fund	44,818	(44,818)
Trust and Endowment Fund	15,113	17,801
	419,238	310,046
Add (deduct) items not involving cash		
Gain on disposal of capital assets		(1,200)
Amortization of capital assets	173,548	156,023
Amortization of deferred contributions related to capital assets	(86,682)	(60,208)
	506,104	404,661
Add (deduct) changes in non-cash working capital components related to operating activities		
Accounts receivable	(65,660)	87,132
Due from COPSE	2,466	(19,925)
Inventory	(27,504)	(14,352)
Prepaid expenses	12,494	18,150
Due to Province of Manitoba		(250,000)
Accounts payable and accrued liabilities	115,299	(135,546)
Deferred grant revenue	(256,309)	880,671
Accrued vacation benefits	(118,894)	219,223
Accrued severance benefits	109,322	108,528
	277,318	1,298,542
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred contributions related to capital assets	242,643	194,285
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(242,643)	(194,285)
Proceeds on disposal of capital assets	---	1,200
	(242,643)	(193,085)
NET INCREASE IN CASH FLOWS DURING THE YEAR	277,318	1,299,742
CASH AND SHORT-TERM INVESTMENTS, *beginning of year*	2,791,987	1,492,245
CASH AND SHORT-TERM INVESTMENTS, *end of year*	$ 3,069,305	$ 2,791,987

1. NATURE OF OPERATIONS

Keewatin Community College operates under the authority of the Colleges Act, Chapter C150.1 of the continuing consolidation of the Statutes of Manitoba. This legislation established the College as a board-governed institution on April 1, 1993.

The College has tax-exempt status as a registered charity under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The transactions of the corporation have been segregated into the following funds in accordance with specified activities or objectives:

KCC Community College Fund - transactions related to educational and ancillary activities of Keewatin Community College.

Inter-Universities North Fund - transactions related to the educational programs of the Inter-Universities North Program, which is administered by Keewatin Community College.

Northern Forest Diversification Fund – transactions related to the educational and ancillary activities of the Northern Forest Diversification Centre.

Trust and Endowment Fund - transactions related to donations and endowments for student scholarships and bursaries.

b) Revenue Recognition

Tuition and fees are recognized as revenue in the semester or term earned.

Revenue from Market Driven Training contracts is recognized during the year at a rate approximating the delivery of the contracted programs and services.

Investment income is recognized as revenue when earned.

Contributions:

Unrestricted contributions and grants are recognized as revenue when received or receivable.

Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred.

Donations are reported as revenue when received.

Endowment contributions (and/or investment income thereon) that are held in perpetuity according to restrictions placed by the donors are recognized as revenue in the Trust and Endowment Fund.

Contributions (or portions permitted thereof), which are designated for the purchase of capital assets, are deferred and amortized to revenue at the same rate as the related capital assets are amortized to expenditures.

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

c) Short-term investments

Investments are recorded at the lower of cost or net realizable value.

d) Inventory

Inventory is recorded at the lower of cost or net realizable value.

e) Capital Assets

Individual capital assets with a value greater than $5,000 are capitalized and recorded at cost in the year of acquisition. Individual capital assets with a value less than $5,000 are expensed in the year of acquisition. Amortization of capitalized assets is recorded on a straight-line basis commencing the year after acquisition over the following periods:

Automotive equipment	5 years
Buildings	40 years
Building improvements	10 years or lease term
Computer equipment	5 years
Other Equipment	10 years

Library holdings are valued using the "base stock" method, and accordingly are recorded at the value transferred upon governance at April 1, 1993. No amortization is taken on library holdings, and subsequent library acquisitions are expensed in the year of purchase.

Certain capital assets purchased for specific Market Driven Training contracts are expensed in the year of purchase.

3. ACCOUNTS RECEIVABLE

	2003	2002
KCC Operating Fund		
Students	$ 284,296	$ 294,055
Market Driven Training	876,105	725,929
Other	237,666	140,089
	1,398,067	1,160,073
Less: Allowance for Doubtful Accounts	(697,087)	(623,548)
	$ 700,980	$ 536,525
Inter-Universities North Fund		
Students	$ 81,357	$ 104,750
Other	5,453	29,133
	86,810	133,883
Less: Allowance for Doubtful Accounts	(30,445)	(26,560)
	$ 56,365	$ 107,323

4. DUE FROM COPSE

Accrued operating grants and reimbursements receivable form the Council on Post Secondary Education:

	2003	2002
Province of Manitoba - Accommodation Cost Recovery System	$ **157,983**	$ 165,528
Property Taxes	**223,558**	218,479
	$ **381,541**	$ 384,007

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2003	Net Book Value 2002
KCC Operating Fund				
Automotive equipment	$ 380,783	$ 225,964	$ **154,819**	$ 83,399
Computer equipment	452,163	371,069	**81,094**	131,466
Other equipment	896,265	495,574	**400,691**	374,547
Buildings and improvements	160,456	39,486	**120,970**	136,976
Library holdings	714,161	...	**714,161**	714,161
	$ 2,603,828	$ 1,132,093	$ **1,471,735**	$ 1,440,549
Inter-Universities North Fund				
Automotive equipment	$ 40,574	$	$ **40,574**	$
Computer equipment	40,780	32,747	**8,033**	9,237
Other equipment	14,616	8,192	**6,424**	7,885
	$ 95,970	$ 40,939	$ **55,031**	$ 17,122

6. DUE FROM PROVINCE OF MANITOBA

The Province of Manitoba has recognized its liability to the College for the opening balances of accrued employee severance benefits and vacation benefits as at April 1, 1998, when the College assumed responsibility for these expenditures. There are no terms of repayment for the balance due.

Accrued severance benefits, April 1, 1998	$ 793,500
Accrued vacation benefits, April 1, 1998	752,589
	$ 1,546,089

7. ACCOUNTS PAYABLE

	2003	2002
KCC Operating Fund		
Accrued property taxes	$ **223,558**	$ 218,478
Wages and benefits payable	**121,975**	57,666
Trade accounts payable	**92,861**	101,552
Due to Student Associations	**4,823**	7,215
Other accrued liabilities	**159,218**	34,871
	$ **602,435**	$ 419,782

7. ACCOUNTS PAYABLE *continued*

	2003	2002
Inter-Universities North Fund		
Trade accounts payable	$	$ 40,615
Other accrued liabilities	23,069	48,701
	$ 23,069	$ 89,316

8. DEFERRED REVENUE

Deferred revenue or contributions reported in each fund relate to designated contributions received in the current year that are related to expenditures of a subsequent year. Changes in deferred contributions during the year are as follows:

	Beginning of Year	Increases	Decreases	End of Year
KCC Operating Fund				
COPSE - HEAP Grant	$ 54,000	$	$	$ 54,000
COPSE - Ecotourism	30,000		(30,000)	
COPSE - Operating Grant	93,397	82,728		176,125
COPSE - CEI Grant	275,000	369,300	(83,600)	560,700
Lease revenue & maintenance fees	5,644		(2,867)	2,777
Manitoba Hydro	23,624		(23,624)	
Manitoba (Education, Training & Youth) Computer-based learning	53,004		(53,004)	
Computer-based Health Education	27,500			27,500
Prior Learning Assessment	32,000		(32,000)	
Split Lake - Adult Education	73,373	1,259	(74,632)	
Split Lake - Early Childhood Education	106,380	35,312	(141,692)	
Split Lake - Computerized Business Applications	67,002	140,196	(207,198)	
Market Driven Training Contracts in Progress	453,518	202,810	(453,518)	202,810
Northern Scientific Training Program	1,518		(1,518)	
Recycling grant		1,468		1,468
Unearned rent	...	7,500	...	7,500
	$ 1,295,960	$ 840,573	$ (1,103,653)	$ 1,032,880
Inter-Universities North Fund				
COPSE Operating	$ 166,976	$ 105,815	$ (166,976)	$ 105,815
COPSE Overpayment	5,075	...	...	5,075
	$ 172,051	$ 105,815	$ (166,976)	$ 110,890
Northern Forest Diversification Fund				
Province of Manitoba	$ 0	$ 73,907	$ 0	$ 73,907

9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	Beginning of Year	Increases	Decreases	End of Year
KCC Operating Fund	$ 433,332	$ 196,275	$ (78,223)	$ 551,384
Inter-Universities North Fund	$ 17,122	$ 46,368	$ (8,459)	$ 55,031

10. PENSION COSTS AND OBLIGATIONS

The College's employees are contributing members of the provincially operated Civil Service Superannuation Plan or the Teachers Retirement Annuity Fund defined benefit pension plans. The accumulated superannuation liabilities continue to be funded directly by the Province of Manitoba, rather than the College itself for all employees hired prior to October 1, 2002.

The benefit to the College of having its share of pension benefits paid directly by the Province of Manitoba has not been quantified by an actuarial valuation. The total contributions during the fiscal year by employees hired prior to October 1, 2002 were $623,948 (2001/2002 - $604,680).

Total contributions during the fiscal year by employees hired after October 1, 2002 (and matched by the College) were $15,531.

11. RECONCILIATION OF COPSE GRANTS RECEIVED AND GRANT REVENUE

	KCC	IUN
COPSE Grant Payments Received During Year	$ 14,053,148	$ 895,802
Less: Reimbursements for Student 10% Tuition Rebates	(84,448)	(38,802)
COPSE Grants Authorized for Fiscal Year	13,968,700	857,000
Less: Deferred to Subsequent Fiscal Year	(452,026)	(105,815)
Add: Deferred from Prior Fiscal Year and Earned for Program Delivery	113,600	166,976
Less: Deferred Contributions related to Capital Assets	(180,097)	(46,368)
Less: Change in Accrued ACRS and Property Tax Funding	(2,466)	...
COPSE Grant Revenue *(Statement 3)*	$ 13,447,711	$ 871,793

12. CONTRACTUAL OBLIGATIONS

The College has entered into various contracts to rent office equipment, lease facility space, and for services provided by third parties for security, food services, and snow removal. Contractual obligations over the next five years are as follows:

2003/04	$ 291,700
2004/05	184,300
2005/06	172,400
2006/07	0
2007/08	0

KEEWATIN COMMUNITY COLLEGE

SCHEDULE 1

SCHEDULE OF OTHER GRANT REVENUE

YEAR ENDED JUNE 30

	2003	2002
Province of Manitoba		
Adult Learning Centre	$ 277,000	$ 250,000
Apprenticeable Trades Program		39,411
Computer Based Learning System	82,347	93,225
Cross Lake		2,627
Ecotourism		2,585
Flin Flon Employment Centre		
Health Care Aide		18,101
Leaf Rapids		8,203
Non-Timber Forest Products		
Occupational Prep for Trades		29,700
Prior Learning Assessment	59,280	73,000
Split Lake (Adult Education, CBA, ECE)	221,415	213,041
	640,042	729,893
Manitoba Hydro	7,446	5,576
University of Manitoba Faculty of Nursing	-	75,000
	$ 647,488	$ 810,469

SCHEDULE 2

SCHEDULE OF ANCILLARY SALES AND SERVICES

	YEAR ENDED JUNE 30	
	2003	2002
Bookstore	$ 936,751	$ 1,017,316
Cafeteria	202,826	199,445
Residence	276,960	288,581
	$ 1,416,537	$ 1,505,342

SCHEDULE 3

SCHEDULE OF TUITION AND STUDENT FEES

	YEAR ENDED JUNE 30	
	2003	2002
Apprenticeship	$ 735,762	$ 884,966
Credit	1,219,480	1,159,595
Non-credit	52,633	41,095
	$ 2,007,875	$ 2,085,656

KEEWATIN COMMUNITY COLLEGE

SCHEDULE 4

SCHEDULE OF KCC EXPENDITURES BY FUNCTION

			YEAR ENDED JUNE 30	
	Salaries & Benefits	Other	TOTAL 2003	2002
Academic	$ 7,066,978	$ 1,125,152	**$ 8,192,130**	$ 7,891,031
Administration	1,615,317	1,042,980	**2,658,297**	2,347,258
Ancillary Sales & Service	394,393	926,086	**1,320,479**	1,374,248
Continuing Education	83,971	11,283	**95,254**	58,998
Library	145,563	75,009	**220,572**	241,953
Market Driven Training	1,059,042	272,428	**1,331,470**	1,167,471
MIS	513,438	490,291	**1,003,729**	1,048,171
Plant	418,668	1,627,097	**2,045,765**	1,896,815
Program support	1,694,226	465,339	**2,159,565**	2,148,942
	$ 12,991,596	$ 6,035,665	**$ 19,027,261**	$ 18,174,887

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of The Legal Aid Services Society of Manitoba are the responsibility of management and have been prepared in accordance with the accounting policies stated in Note 2 to the financial statements for the year ended March 31, 2004.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safe-guarded from loss.

The responsibility of the Auditor General is to express an independent professional opinion on whether the financial statements are fairly presented in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Gerry McNeilly
Executive Director
The Legal Aid Services Society of Manitoba

July 30, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Legal Aid Services Society of Manitoba

We have audited the balance sheet of The Legal Aid Services Society of Manitoba as at March 31, 2004 and the statements of revenue and expense, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Legal Aid Services Society of Manitoba as at March 31, 2004 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 30, 2004

THE LEGAL AID SERVICES SOCIETY OF MANITOBA

Balance Sheet
as at March 31

	2004	2003
ASSETS		
Current Assets		
Bank	$ 568,998	$ 93,167
Client accounts receivable, net (Note 3)	221,075	235,187
Receivable from the Province of Manitoba	3,750,000	4,280,480
Receivable from the Gov't of Canada	479,695	224,100
Receivable from the Manitoba Law Foundation	52,500	-
Other receivables, net (Note 4)	67,681	226,665
Prepaid expense	285,178	340,223
	5,425,127	5,399,822
Capital Assets, Net (Note 5)	188,038	146,841
Long-term receivable - charges on land (Note 6)	780,814	795,969
Long-term receivable - severance - Province of Manitoba (Note 7)	716,166	716,166
Long-term receivable - pension - Province of Manitoba (Note 13)	10,263,169	9,267,882
	$ 17,373,314	$ 16,326,680
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 4,385,275	$ 4,763,855
Accrued vacation pay	808,457	787,508
Deferred revenue from clients	352,788	385,929
Deferred contribution from Province of Manitoba	-	30,000
	5,546,520	5,967,292
Severance liability (Note 7)	1,133,363	1,091,506
Provision for employee pension benefits (note 13)	10,263,169	9,267,882
	16,943,052	16,326,680
Net Assets		
Invested in Capital Assets	188,038	146,841
Unrestricted Net Assets	242,224	(146,841)
	430,262	-
	$ 17,373,314	$ 16,326,680

THE LEGAL AID SERVICES SOCIETY OF MANITOBA

Statement of Revenue and Expense
for the year ended March 31

	2004	2003
Revenue		
Province of Manitoba (Note 8)	$ 18,454,346	$ 17,331,658
Manitoba Law Foundation (Note 9)	900,155	1,217,629
Contributions from clients	821,897	840,800
Recoveries from third parties	554,378	848,837
Government of Canada	479,695	225,954
Judgment costs and settlements	103,453	117,712
Interest income	16,539	10,659
Other	34,206	2,397
	$ 21,364,669	$ 20,595,646
Expense		
Private bar fees and disbursements, net (Note 12)		
Legal aid certificates	$ 8,468,999	$ 7,777,298
Duty counsel services	123,348	157,778
Transcripts and Other Contributed Services	69,248	68,384
	8,661,595	8,003,460
Community Law Centres, Schedule 1	7,625,493	7,332,816
Public Interest Law Centre, Schedule 1	430,123	718,085
University Law Centre, Schedule 1	85,650	79,062
General and administrative, Schedule 1	4,131,546	4,012,582
	$ 20,934,407	$ 20,146,005
Excess of revenue over expense	$ 430,262	$ 449,641

THE LEGAL AID SERVICES SOCIETY OF MANITOBA

Statement of Cash Flow
for the year ended March 31

	2004	2003
Cash Flow Provided by (Used In) Operating Activities:		
Excess of revenue over expense for the year	$ 430,262	$ 449,641
Add items not affecting cash		
Amortization	31,937	22,270
Bad Debt Expense	174,945	105,913
Changes in working capital:		
Client accounts receivable	(160,833)	(124,111)
Province of Manitoba receivable	530,480	(480)
Government of Canada receivable	(255,595)	(155,135)
Manitoba Law Foundation receivable	(52,500)	48,750
Other receivables	158,984	(136,781)
Prepaid expense	55,045	121,724
Accounts payable and accrued vacation pay	(357,631)	(491,167)
Deferred revenue	(33,141)	10,159
Deferred contribution from Province of Manitoba	(30,000)	-
	491,953	(149,217)
Cash Flow Provided by (Used In) Financing Activities:		
Charges on land	15,155	50,875
Long-term funding commitments	(995,287)	(1,146,360)
Severance	41,857	90,389
Pension	995,287	1,146,360
	57,012	141,264
Cash Flow Provided by (Used In) Investing Activities:		
Purchase of capital assets	(73,134)	(80,601)
	(73,134)	(80,601)
Net Increase (Decrease) in Cash for the Year	475,831	(88,554)
Cash - Beginning of Year	93,167	181,721
Cash - End of Year	568,998	93,167

THE LEGAL AID SERVICES SOCIETY OF MANITOBA

SCHEDULE 1

Schedule of Expenses
for the year ended March 31

	COMMUNITY LAW CENTRES		PUBLIC INTEREST LAW CENTRE		UNIVERSITY LAW CENTRE		GENERAL AND ADMINISTRATIVE		TOTAL	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Advertising	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,420	$ 18,549	$ 17,420	$ 18,549
Amortization	10,138	7,597	2,020	2,020	-	-	19,779	12,654	31,937	22,270
Bad debts	-	-	-	-	-	-	174,945	105,913	174,945	105,913
Bank charges	-	-	-	-	-	-	2,197	2,280	2,197	2,280
Board expenses	-	-	-	-	-	-	31,915	39,483	31,915	39,483
Collection costs	-	-	-	-	-	-	15,704	18,342	15,704	18,342
Computer costs	31,443	23,983	3,102	-	-	-	44,069	58,026	78,614	82,009
Duty counsel	164,558	163,359	-	-	1,689	175	1,843	2,213	168,090	165,747
Equipment maintenance	59,717	75,100	8,976	6,804	-	-	29,935	29,792	98,628	111,697
Expert witnesses & consultants	-	-	30,787	189,162	-	-	-	-	30,787	189,162
File disbursements	226,325	223,378	29,852	103,565	1,553	549	17,120	10,492	274,850	337,984
Library	31,790	44,639	6,845	9,209	32	315	35,952	25,821	74,619	79,984
Meetings	12,240	6,367	361	552	-	-	16,315	30,871	28,916	37,790
Office expenses	179,671	159,636	9,223	11,720	2,486	1,957	106,450	110,523	297,830	283,836
Office relocation	12,328	3,957	-	-	-	-	-	1,142	12,328	5,099
Pension costs (note 13)	-	-	-	-	-	-	1,077,803	1,218,034	1,077,803	1,218,034
Premise costs	445,795	421,824	18,229	18,270	-	17	118,207	118,169	582,231	558,281
Professional fees	103,796	141,259	7,085	8,992	5,000	2,125	199,665	132,303	315,546	284,679
Salaries, benefits and levy	6,087,928	5,780,227	301,830	351,332	71,068	70,010	2,063,817	1,917,038	8,524,643	8,118,608
Severance Liability	-	-	-	-	-	-	70,571	90,390	70,571	90,390
Staff development	23,100	34,310	1,866	2,418	-	-	18,014	9,064	42,980	45,792
Staff recruitment	5,415	11,678	125	100	-	-	1,202	120	6,742	11,898
Telephone	99,378	99,773	4,817	6,755	2,007	1,560	53,246	48,939	159,448	157,027
Transcripts and Other Contributed Services	59,137	60,560	-	-	-	-	-	-	59,137	60,560
Travel	72,734	75,168	5,005	7,186	1,815	2,354	15,377	12,423	94,931	97,132
TOTAL	$ 7,625,493	$ 7,332,816	$ 430,123	$ 718,085	$ 85,650	$ 79,062	$ 4,131,546	$ 4,012,582	$ 12,272,812	$ 12,142,545

THE LEGAL AID SERVICES SOCIETY OF MANITOBA

Statement of Changes in Net Assets
for the year ended March 31

	2004			2003
	Invested in Capital Assets	Unrestricted Net Assets	Total	Total
Balance, Beginning of Year	$ 146,841	$ (146,841)	$ -	$ (449,641)
Excess (Deficiency) of Revenue over Expense	(31,937)	462,199	430,262	449,641
Capital Asset Additions	73,134	(73,134)	-	-
BALANCE, END OF YEAR	$ 188,038	$ 242,224	$ 430,262	$ -

1. Nature of the Society

The Legal Aid Services Society of Manitoba (the Society) was established by an Act of the Legislative Assembly of Manitoba.

The objects of the Society, as set out in the Act, are:

- to provide legal advice and services to individuals, groups and organizations who, left to their own means, could not afford to retain the service of a lawyer.
- to furnish legal aid advice to groups and organizations involving matters of an interest common to members of the group and relating to issues of public interest such as, but not restricted to, consumer and environmental issues.

The Society is economically dependent upon the Province of Manitoba. Other revenue sources include the Manitoba Law Foundation, individual clients, and third party agencies.

2. Significant Accounting Policies

a) Accounting Basis

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

b) Recognition of Contributions from Clients

Clients may be required to pay a portion or all of the legal costs incurred on their behalf by the Legal Aid Services Society of Manitoba based on the clients' ability to pay.

i) Agreements to Pay

Clients who are able to pay, sign an agreement to pay for their portion of the applicable legal costs. The amount the client is required to pay is specified on the legal aid certificate. The revenue and receivable are recognized when the certificate is signed.

ii) Expanded Eligibility

Under terms of expanded eligibility, clients are required to pay all of the legal costs and an administration fee of 25%. The revenue and receivable are recognized based on the date of the lawyer's billing.

iii) Charges on Land

Charges on Land are registered under Section 17 of the Legal Aid Services Society Act in Land Titles on property owned by clients. The revenue and receivable are recognized at the later of the date the lien is filed or the date of the lawyer's billing. Collection of these accounts in the future is dependent on the client disposing of the property or arranging for payment.

c) Allowance for Doubtful Accounts

An allowance for doubtful accounts is recorded against receivables based on a specific review of accounts.

d) Capital Assets

Capital Assets are recorded at cost less accumulated amortization. Amortization is proved on the straight-line basis over the estimated useful life of the asset as follows:

- Furniture and office equipment - 10 years
- Computer Hardware and Software - 4 years
- Major Software Applications – 15 years
- Leasehold Improvements - over the term of the lease

e) Contributed Services

Under an arrangement between the Society and the Department of Justice, the Department provides transcripts and other services to the Society at no cost. The value of these contributed services is recorded as revenue and as an expense.

f) Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

g) Pension Plan

Employees of the Society are pensionable under the Civil Service Superannuation Act. The Society accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial valuation.

h) Financial Instruments

Legal Aid Services Society's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, and accrued liabilities. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

3. Client Accounts Receivable, net

	2004	2003
Agreements to Pay	$ 71,457	$ 73,617
Expanded Eligibility	484,148	432,763
	555,605	506,380
Less: Allowance for Doubtful Accounts	334,530	271,193
Clients Accounts Receivable, net	$ 221,075	$ 235,187

4. Other Receivables, net

	2004	2003
Court Costs	$ 176,596	$ 162,581
Child and Family Services	10,636	5,190
Social Services	40,732	41,251
Employee Advances, GST Recoverable and Miscellaneous	12,225	176,068
	240,189	385,090
Less: Allowance for Doubtful Accounts	172,508	158,425
Other Receivables, net	$ 67,681	$ 226,665

5. Capital Assets

	2004		2003	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	$ 74,610	$ 11,602	$ 44,197	$ 5,661
Computer Hardware & Software	57,776	21,591	29,961	10,624
Major Software Application	32,520	1,084	-	-
Leasehold Improvements	71,814	29,310	71,813	15,365
Work-in-progress	14,905	-	32,520	-
	$ 251,625	$ 63,587	$ 178,491	$ 31,650
Net Book Value		$ 188,038		$ 146,841

6. Charges on land

	2004	2003
Charges on Land	$ 1,561,628	$ 1,591,938
Less: Allowance for Doubtful Accounts	780,814	795,969
Charges on Land, net	$ 780,814	$ 795,969

7. Severance pay benefits

Effective April 1, 1998, Legal Aid is recording accumulated severance pay benefits for their employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from Legal Aid. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province accepted responsibility for the severance benefits accumulated by Legal Aid employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $716,166 was completely offset by a receivable from the Province. There are no terms of repayment for the receivable, and the amount will remain fixed at $716,166.

8. Revenue from the Province of Manitoba

	2004	2003
Grant	$ 10,443,637	$ 9,612,653
Salaries and other payments	7,160,112	6,948,481
Health and post secondary education tax levy	149,041	148,872
Employer portion of employee benefits	573,171	492,708
Contributed Services	128,385	128,944
	$ 18,454,346	$ 17,331,658

Funding from the Province of Manitoba includes the Society's share of provisions recorded for unfunded pension liabilities.

9. Revenue from the Manitoba Law Foundation

	2004	2003
Statutory Grant	$ 690,155	$ 1,007,629
Public Interest Law Centre	150,000	150,000
University Law Centre	60,000	60,000
	$ 900,155	$ 1,217,629

A statutory grant, pursuant to subsection 65(1) of The Law Society Act, is received annually from The Manitoba Law Foundation. The Society's share under the Act is 50% of the total interest on lawyers' trust accounts as received by the Foundation or a minimum of $1,007,629, whichever is greater. In the event that interest received by the Foundation in the preceding year, after deduction of the Foundation's operational expenses, is not sufficient to pay the statutory minimum of $1,007,629 to The Legal Aid Services Society, the Act provides for pro-rata sharing of the net interest.

Other grants from The Manitoba Law Foundation are received pursuant to subsection 65(4) of The Law Society Act. These grants are restricted for the Public Interest Law Centre and the University Law Centre. At March 31, 2004, there were no unrestricted funds remaining from these grants.

10. Commitments

i) Lease

The Society rents facilities under operating leases. Unpaid remaining commitments under the leases, which expire at varying dates are:

2005	$	492,865
2006	$	509,057
2007	$	496,464
2008	$	455,145
2009	$	456,370
Thereafter	$	1,270,150
	$	3,680,051

ii) Private Bar

Estimated total commitments for future billings on outstanding legal aid certificates amount to $2,981,000 as at March 31, 2004 (2003 - $3,057,000).

11. Related Parties Transactions

The Society is related in terms of common ownership to all Province of Manitoba created departments, agencies and crown corporations. The Society enters into transactions with these entities in the normal course of business.

12. Private Bar Fees and Disbursements, net

	Fees	Disbursements	2004 Total	2003 Total
Legal Aid Certificates	$7,701,851	$766,311	$8,468,162	$ 8,001,029
Reduction in fees	837	-	837	(223,731)
Holdback Repayment	-	-	-	-
	7,702,688	766,311	8,468,999	7,777,298
Duty Counsel	123,365	-	123,365	160,125
Reduction in fees	(17)	-	(17)	(2,347)
Holdback Repayment	-	-	-	-
	123,348	-	123,348	157,778
Transcripts and Other Contributed Services	-	69,248	69,248	68,384
Net	$7,826,036	$835,559	$ 8,661,595	$ 8,003,460

The Board declared a hold back holiday for all certificates processed during the fiscal year April 1, 2003 to March 31, 2004. Certificates issued in this fiscal year were not subject to a hold back.

13. Provision for Employee Pension Benefits

Pension costs consist of the employer's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined by an actuarial valuation every three years with the balances for the intervening years being determined by formula provided by the actuary. The most recent valuation was completed as at December 31, 2001 by Ellement & Ellement Ltd., Consulting Actuaries.

	2004	2003
Balance at beginning of year	$ 9,267,882	$ 8,121,522
Experience Gain (Loss)	-	191,581
Benefits accrued	406,963	412,041
Interest accrued on benefits	670,840	614,411
Benefits paid	(82,516)	(71,673)
Balance at end of year	$ 10,263,169	$ 9,267,882

The key actuarial assumptions were a rate of return of 6.75% (1998 – 7.0%), 2.75% inflation (1998 – 3.0%), salary rate increases of 4.5% (1998 - 4.5%) and post retirement indexing at 2/3 of the inflation rate. The entry age normal actuarial cost method was used and the liabilities have been extrapolated to March 31, 2004 using a formula provided by the actuary.

The Province of Manitoba has accepted responsibility for the unfunded pension liability. Accordingly the provision for employee pension benefits is offset by a receivable from the Province of Manitoba. There are no terms of repayment for this receivable.

14. Special Trial

During the fiscal year ended March 31, 2004, Legal Aid retained counsel for a number of accused under a special order from the Province of Manitoba. These retainers are not governed by Legal Aid tariff or regulations but are a special agreement between the Private Bar and Legal Aid Manitoba. All funding received from the Province of Manitoba for this trial is restricted solely for fees incurred in the process of defending these accused. Any funding not committed at the end of the special trial must be returned to the Province of Manitoba.

	2004	2003
Revenue from the Province of Manitoba	$ 862,500	$ -
Expenses, Private Bar	862,500	-
Excess of revenue over (under) expense	$ -	$ -

15. Public Sector Compensation Disclosure

For the purposes of the Public Sector Compensation Disclosure Act, all compensation for employees, Board members and the private bar fees and disbursements from The Legal Aid Services Society of Manitoba is disclosed in a separate statement.

16. Change in Accounting Policy

Prior to 2004, the private bar fees and disbursements wee recognized as expenses based on lawyers' billing dates rather than the dates of providing required services. In 2004, a decision was made to record the private bar fees and disbursements as expenses based on the dates of providing required services.

As a result of this change in policy, the prior period have been adjusted retroactively effective March 31, 2002. The result of this was to increase the opening balance of accounts payable by $4,200,000 as at April 1, 2002 and increase the opening balance of accounts receivable by $4,200,000 as at April 1, 2002. Accounts payable at March 31, 2004 increased by $3,750,000 (2003 - $3,950,000) and accounts receivable from the Province of Manitoba at March 31, 2004 increased by $3,750,000 (2003 - $3,950,000). The effect on Net Assets for 2004 is nil (2003 – nil).

17. Restatement of Accounts

Comparative figures for the year ended March 31, 2004 have been restated where necessary to conform with presentation adopted for the current year ended March 31, 2004.

STEFANSON & LEE
Chartered Accountants

AUDITORS' REPORT

To the Board of Directors of
Manitoba Adolescent Treatment Centre Inc.

We have audited the balance sheet of Manitoba Adolescent Treatment Centre Inc. as at March 31, 2004 and the statement of operations and the statements of changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Centre's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2004 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
May 27, 2004

Stefanson & Lee
Chartered Accountants

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Balance Sheet
March 31, 2004

	2004	2003
ASSETS		
Current		
Cash and short term investments	$ 940,954	1,039,189
Prepaid expenses	14,392	16,107
Accounts receivable - Winnipeg Regional Health Authority	610,787	35,252
Accounts receivable - other	25,411	19,997
	1,591,544	1,110,545
Pre-retirement leave receivable (note 2)	553,058	448,694
Capital assets (note 3)	2,166,880	2,215,375
	$ 4,311,482	3,774,614
LIABILITIES		
Current		
Accounts payable	$ 242,144	195,899
Advance from Winnipeg Regional Health Authority	380,000	-
Accrued wages	287,103	229,187
Vacation pay payable	706,940	695,566
Current portion of long-term debt (note 4)	7,500	30,000
	1,623,687	1,150,652
Pre-retirement leave payable (note 2)	553,058	448,694
Long-term debt (note 4)	-	7,500
Deferred contributions (note 5)	16,029	16,029
Deferred contributions relating to capital assets (note 6)	1,324,322	1,349,088
	3,517,096	2,971,963
NET ASSETS		
Unrestricted	(40,672)	(26,136)
Net investment in capital assets	835,058	828,787
	794,386	802,651
	$ 4,311,482	3,774,614

APPROVED BY THE BOARD:

Lesia Szwaluk **DIRECTOR**

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Statement of Operations
for the year ended March 31, 2004

		2004	2003
Income			
Program			
Winnipeg Regional Health Authority	$	8,482,355	7,618,680
Province of Manitoba		25,000	25,000
Recovery and other		81,502	101,476
		8,588,857	7,745,156
Interest and miscellaneous income		29,898	4,221
Amortization of deferred contributions relating to capital assets		108,259	111,172
		8,727,014	7,860,549
Expenses			
Medical remuneration		2,046,513	1,772,263
Other program costs			
Hospital services		3,809,141	3,635,970
Community Child and Adolescent Treatment Services		1,446,579	1,423,510
Centralized Intake Services		531,924	337,295
Youth Forensic Services		211,683	194,699
Educational Psychiatric Services		98,904	92,989
Early Psychosis Prevention and Intervention Services		452,276	126,275
		8,597,020	7,583,001
Amortization of capital assets		138,259	141,172
		8,735,279	7,724,173
Excess (deficiency) of income over expenses for the year		(8,265)	136,376
Amount repayable to the Winnipeg Regional Health Authority (note 2)		-	68,188
Retainable portion of excess (deficiency) of income over expenses for the year	$	(8,265)	68,188

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Statement of Changes in Net Assets
for the year ended March 31, 2004

		Net Investment Capital Assets	Unrestricted	2004 Total	2003 Total
Balance, beginning of year	$	828,787	(26,136)	802,651	734,463
Excess (deficiency) of income over expenses for the year		-	(8,265)	(8,265)	68,188
Invested in capital assets		6,271	(6,271)	-	-
Amortization		(30,000)	30,000	-	-
Long-term debt repayment		30,000	(30,000)	-	-
Balance, end of year	$	835,058	(40,672)	794,386	802,651

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Cash Flow Statement
for the year ended March 31, 2004

		2004	2003
Cash from operating activities			
Excess (deficiency) of income over expenses for the year	$	(8,265)	68,188
Adjustments for non-cash items			
Amortization of capital assets		138,259	141,172
Net change in non-cash working capital items		(83,699)	(35,444)
Amortization of deferred contributions relating to capital assets		(108,259)	(111,172)
Cash provided by operating activities		(61,964)	62,744
Financing and investing activities			
Mortgage principal repayments		(30,000)	(30,000)
Capital funding for asset purchases		83,493	221,990
Purchase of capital assets		(89,764)	(297,397)
Cash used in financing and investing activities		(36,271)	(105,407)
Change in cash for the year		(98,235)	(42,663)
Cash position, beginning of year		1,039,189	1,081,852
Cash position, end of year	$	940,954	1,039,189

1. Purpose:

The Manitoba Adolescent Treatment Centre Inc. (M.A.T.C.) was incorporated in the Province of Manitoba without share capital on February 23, 1983 as a non-profit organization and is a registered charity for income tax purposes. M.A.T.C. provides inpatient and outpatient services as well as rehabilitative and medical care and treatment programs to children and adolescents in Manitoba.

2. Significant accounting policies:

Revenue recognition

The Centre follows the deferral method for accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue as earned.

Capital assets

Capital assets are recorded at cost. Amortization is charged to the assets to amortize the cost over the estimated useful lives of the assets at the following annual rates.

Buildings	5% declining balance
Equipment	20% declining balance

Vacation pay

Vacation pay is recorded on the accrual basis. The vacation pay liability at March 31 is reflected as a payable in the statements. Any receivable from government relating to the vacation pay will not be recorded until the vacation liability is settled.

Repayment to Winnipeg Regional Health Authority

The Centre and the Winnipeg Regional Health Authority (WRHA) have entered into an operating agreement which is effective from April 1, 2002 to March 31, 2006. In accordance with this agreement, the Centre is able to retain a portion of the excess of income over expenses for the year. This amount, which is identified as retainable surplus, is calculated in accordance with WRHA policy. The amount of excess of income over expenses which exceeds the retainable surplus is repayable to the WRHA in the year the funding is received.

Pre-retirement leave

Pre-retirement leave is recorded on the accrual basis. The receivable from the funders and the corresponding liability are reflected in the statements.

3. Capital assets:

		2004			2003
		Cost	Accumulated Amortization	Net	Net
Land	$	556,670	-	556,670	542,743
Buildings		3,462,712	1,990,645	1,472,067	1,537,994
Equipment		995,369	857,226	138,143	134,638
	$	5,014,751	2,847,871	2,166,880	2,215,375

4. Long-term debt:

		2004	2003
Toronto Dominion Bank, first mortgage, monthly payments of $2,500 plus interest at prime minus ½%	$	7,500	37,500
Less current portion included in current liabilities		7,500	30,000
	$	-	7,500

5. Deferred contributions:

		2004	2003
Grant from Winnipeg Foundation			
Balance, beginning of year	$	16,029	16,029
Less allocation to income		-	-
Balance, end of year	$	16,029	16,029

6. Deferred contributions relating to capital assets:

		2004	2003
Balance, beginning of year	$	1,349,088	1,238,270
Capital funding received		83,493	221,990
Amortization of deferred contributions		(108,259)	(111,172)
	$	1,324,322	1,349,088

MACC
Manitoba Agricultural Credit Corporation

Unit 100 – 1525 First Street S.
Brandon MB R7A 7A
T 204.726.6850 • F 204.726.6849

June 25, 2004

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting policies. In management's opinion, the financial statements have been properly prepared and of necessity include some amounts based upon management's best estimates and judgements. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide assurance that reliable financial information is produced and assets are properly accounted for and safeguarded from loss. The Board of Directors, which oversees management's responsibilities for financial reporting, reviews and approves the financial statements. The Board of Directors meets with management and the auditors to discuss the audit, financial reporting, and related matters.

C Kib

Charlene Kibbins
Acting, Chief Executive Officer

K. McEachen

Karen McEachen
Chief Financial Officer

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To The Legislative Assembly of Manitoba, and
To the Board of Directors of the Manitoba Agricultural Credit Corporation

We have audited the balance sheet of The Manitoba Agricultural Credit Corporation as at March 31, 2004, the statement of revenue and expenditure and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 25, 2004

FINANCIAL STATEMENTS

The Manitoba Agricultural Credit Corporation
BALANCE SHEET
As at March 31, 2004
(in thousands)

	2004	2003
Assets		
Cash *(Note 3)*	$ 11,529	$ 5,141
Investments *(Note 4)*	3,727	4,727
Receivables *(Notes 2 and 7)*		
Mortgages *(Note 5)*	266,425	269,753
Other *(Note 6)*	65,404	14,093
Long-term funding commitments – Province of Manitoba *(Note 8)*	5,985	5,581
Real estate *(Notes 2 and 13)*	1,577	1,521
	$ 354,647	$ 300,816
Liabilities and Deficit		
Accounts payable and accrued liabilities		
Unearned real estate revenue	$ 10	$ 12
Other	1,168	998
Provision for Young Farmer Rebate	499	549
Provision for losses on guaranteed loans *(Notes 2 and 12)*	10,277	9,075
Provision for employee pension benefits *(Notes 2 and 10)*	5,756	5,352
Advances from Province of Manitoba *(Note 9)*	373,475	311,627
	391,185	327,613
Deficit		
Balance, beginning of year	(26,797)	(26,097)
Excess of expenditure over revenue	(9,741)	(700)
Balance, end of year *(Note 16)*	(36,538)	(26,797)
	$ 354,647	$ 300,816

Contingent Liabilities *(Note 12)*

APPROVED BY THE BOARD

Bill Uruski

Bill Uruski, Chair
DIRECTOR

Sandy Yanick

Sandy Yanick, Vice-Chair
DIRECTOR

The Manitoba Agricultural Credit Corporation
STATEMENT OF REVENUE AND EXPENDITURE
for the year ended March 31, 2004
(in thousands)

	2004	2003
Revenue		
Interest		
Mortgages	$ 19,500	$ 20,027
Other	1,480	940
Cash on deposit with Province of Manitoba	454	857
	21,434	21,824
Province of Manitoba	5,580	5,179
Services donated by Province of Manitoba *(Note 2)*	74	72
Real estate *(Note 11)*	464	239
Change in provision for decline in real estate values *(Note 13)*	(13)	20
Other	48	38
	27,587	27,372
Expenditure		
Administration costs		
Salaries and benefits *(Note 2)*	4,298	3,699
Impaired loan losses (recoveries) *(Notes 2 & 7)*	9,035	(168)
Change in provision for losses on guaranteed loans *(Notes 2 & 12)*	1,197	1,419
Assistance under the Manitoba Farm Mediation Board Program	113	56
Management Training Credit	2	–
Young Farmer Rebate	1,744	1,854
Other administration costs	1,067	996
	17,456	7,856
Financing charges		
Interest on advances from Province of Manitoba	19,872	20,216
	37,328	28,072
Excess of expenditure over revenue	$ 9,741	$ 700

The Manitoba Agricultural Credit Corporation
STATEMENT OF CASH FLOWS
for the year ended March 31, 2004
(in thousands)

	2004	2003
Cash Provided By (Used for)		
Operating activities		
Excess of expenditure over revenue	$ (9,741)	$ (700)
Items not involving cash		
Change in provision for impaired loan losses	8,526	(457)
Gain on disposal of real estate	(328)	(96)
Change in provision for decline in real estate value	13	(20)
Change in provision for Young Farmer Rebate	(50)	25
Change in provision for losses on guaranteed loans	1,202	1,176
Change in provision for employee pension benefits	404	235
Mortgage loans disbursed	(35,474)	(35,169)
Mortgage principal received	38,370	41,304
	12,663	6,998
(Increase) decrease in other receivables	(60,248)	5,020
Decrease in mortgage receivables	439	284
Increase (decrease) in accounts payable	168	(150)
	(59,641)	5,154
Cash (used for) provided by operating activities[1]	(56,719)	11,452
Investing activities		
Proceeds from real estate disposals	624	613
Real estate acquisitions	(365)	(46)
Cash provided by investing activities	259	567
Financing activities		
Advances received from Province of Manitoba	110,000	42,000
Advances repaid to Province of Manitoba	(48,400)	(56,796)
Increase in accrued interest on advances from Province of Manitoba	248	-
Cash provided by (used for) financing activities	61,848	(14,796)
Net increase (decrease) in cash	5,388	(2,777)
Cash and investments, beginning of year	9,868	12,645
Cash and investments, end of year	$ 15,256	$ 9,868

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[1] Net cash used for operating activities includes $[illegible] (2003 - $[illegible]) of interest received and $19,623,298 (2003 - $[illegible]) of interest paid.

The Manitoba Agricultural Credit Corporation
NOTES TO THE FINANCIAL STATEMENTS
As at March 31, 2004
(tabular amounts in thousands of dollars)

1. NATURE OF OPERATIONS

The Manitoba Agricultural Credit Corporation was incorporated under The Agricultural Credit Corporation Act of Manitoba. Under this Act, the Corporation provides and administers financial assistance to farmers to assist in the development of farms in Manitoba.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Allowances for Impaired Loans

The allowances for impaired loans are determined annually by a review of individual accounts. The allowances represent management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectibility of principal or interest, specific allowances are established for individual accounts. These accounts are valued at the lower of their recorded value and the estimated net realizable value of the security held for the accounts.

In addition to the allowances for impaired loans identified on an individual loan basis, the Corporation establishes a further allowance for impaired loans. This additional allowance for loan impairment represents management's best estimate of probable losses in its entire loan portfolio, due to potential future declines in the value of the real estate taken as the underlying security for these loans.

Current year provisions for impaired loans are charged to administration expenditure as impaired loan losses. Actual accounts written off by Board resolution are charged to the allowances for impaired loans.

b) Provision for Losses on Guaranteed Loans

The provisions for losses on guaranteed loans are determined annually by a review of individual guarantees. The provisions represent management's best estimate of probable claims against the guarantees. Where circumstances indicate the likelihood of claims arising, provisions are established for those loan guarantees. These provisions would cover principal, accrued and unpaid interest, and amounts recoverable.

Current year provisions for losses on guaranteed loans are charged to administration expenditure. Actual claims paid are charged to the provisions for losses on guaranteed loans. Recoveries are credited against current year's expenditure.

c) Real Estate Acquired in Settlement of Loans

Real estate that is acquired in settlement of loans through foreclosures and voluntary transfers of title is recorded at the lower of the recorded value of the loan and the appraised value of the real estate at acquisition date. Subsequent declines or increases in estimated realizable value are not recorded. Real estate is stated net of a provision for decline in real estate value.

d) Real Estate Under Long-Term Lease

Real estate that was acquired under the land lease program for long-term leases is recorded at cost.

e) Pension Plan

Employees of the Corporation are pensionable under the Civil Service Superannuation Act. The Corporation accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial valuation. The Corporation began to fund contributions for new employees beginning October 1, 2002.

f) Financial Instruments

Credit Risk
The Corporation provides direct loans to its customers in the normal course of operations. It carries out, on a continuing basis, credit reviews on its customers and maintains provisions for contingent credit losses.

Interest Rate Risk
Interest rate risk is the risk to the Corporation's earnings that arises from fluctuations in interest rates, and the degree of volatility of these rates. During the year ended March 31, 2004, the Corporation did not utilize derivative financial instruments to reduce its exposure to interest rate risk.

Fair Value of Financial Instruments
Because of the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to cash, other receivables, long-term funding commitments, accounts payable, and accrued liabilities. Fair values of mortgages receivable and advances from the Province of Manitoba are disclosed in their respective notes.

g) Donated Services

The Province of Manitoba provides certain administrative services at no charge to the Corporation. The estimated fair value of $74,330 (2003 - $72,100) for these services is included in salaries expenditure and donated services revenue in these financial statements.

h) Measurement Uncertainty – Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. Actual results could differ from those estimates.

i) Investments

Investments with the Province of Manitoba are stated at the lower of cost or market value.

3. CASH

	2004	**2003**
Cash on hand in bank	**$ 1,772**	$ 416
Cash on deposit with Province of Manitoba	**9,757**	4,725
	$ 11,529	$ 5,141

4. INVESTMENTS, AT COST

	2004	2003
Province of Manitoba, trust deposit 5.75%, Due March 31st, 2005	$ 3,727	$ -
Province of Manitoba, trust deposit 5.75%, Due March 31st, 2004	–	4,727
	$ 3,727	$ 4,727

5. MORTGAGES RECEIVABLE

		2004	2003
Amounts are due over the following terms:			
1 year	- Accrued interest	$ 11,427	$ 12,088
	- Arrears	2,681	1,856
	- Prepayments	(11,742)	(13,724)
	- Regular instalments	21,773	24,457
		24,139	24,677
2 years	- Regular instalments	24,042	25,300
3 years	- Regular instalments	25,059	24,916
4 years	- Regular instalments	25,123	25,376
5 years	- Regular instalments	23,899	24,993
Over 5 years	- Regular instalments	160,889	161,224
		283,151	286,486
Less: Allowance for impaired loans *(Note 7)*		16,726	16,733
		$ 266,425	$ 269,753

The approximate fair value of mortgages receivable at March 31, 2004 is $288,012,750 (2003 – $276,821,000). Fair value is based on expected future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Terms of Mortgages Receivable

Direct lending and special assistance program mortgages are fixed rate mortgages which have an average yield as follows:

	Direct Lending Mortgages	Special Assistance Mortgages	Total
Less than 6.00%	$ 15,191	$ 111	$ 15,302
6.01% to 7.00%	118,475	18,967	137,442
7.01% to 8.00%	114,164	1,595	115,759
More than 8.00%	14,365	283	14,648
	$ 262,195	$ 20,956	$ 283,151

These mortgages have maturities as follows:

	Average Interest Rate	Direct Lending Mortgages	Special Assistance Mortgages	Total
1 to 4 years	7.340%	$ 18,447	$ 776	$ 19,223
5 to 9 years	6.997%	69,455	17,082	86,537
10 to 14 years	7.072%	86,716	1,940	88,656
15 to 19 years	7.160%	63,733	1,158	64,891
20 to 24 years	7.243%	21,790	–	21,790
More than 25 years	7.365%	2,054	–	2,054
		$ 262,195	$ 20,956	$ 283,151

6. OTHER RECEIVABLES

		2004		2003
Stocker loans	$	**20,946**	$	15,193
BSE Recovery loan program		**54,639**		-
Flood Proofing loan initiative		**1,935**		2,505
Lease revenue		**78**		58
Miscellaneous		**16**		14
		77,614		17,770
Less: Allowance for impaired loans *(Note 7)*		**12,210**		3,677
	$	**65,404**	$	14,093

Stocker loans are one-year loans with interest rates in the range of 4.05% to 7.85%. The BSE Recovery loans are two-year loans with interest rates of either 2.25% or 3.25%.

7. ALLOWANCES FOR IMPAIRED LOANS

		2004		Provision		Write-Offs		2003
Direct lending mortgages	$	**12,038**	$	553	$	374	$	11,859
Special assistance mortgages		**4,688**		(51)		135		4,874
		16,726		502		509		16,733
Stocker loans		**2,514**		(118)		–		2,632
BSE Recovery loan program		**9,000**		9,000		–		–
Flood Proofing loan initiative		**665**		(347)		–		1,012
Other		**31**		(2)		–		33
		12,210		8,533		–		3,677
	$	**28,936**	$	9,035	$	509	$	20,410

8. LONG-TERM FUNDING COMMITMENTS – PROVINCE OF MANITOBA

	2004	2003
Employee Severance	$ 229	$ 229
Employee Pension Benefits *(Note 10)*	5,756	5,352
	$ 5,985	$ 5,581

9. ADVANCES FROM PROVINCE OF MANITOBA

In accordance with Province of Manitoba practices, the Corporation must repay advances according to the amortization schedule or be subject to a prepayment penalty. The mark to market calculation for any principal prepayment will be the present value of the cash flows on the principal being repaid against the cash flows using a yield to maturity on the date of the payment compounded semi-annually that a non-callable Province of Manitoba Bond would carry, if issued in Canadian dollars in Canada, at 100% of its principal amount on the payment date with a term to maturity equal to the remaining term to maturity of the loan being repaid.

	2004	2003
Advances are repayable in equal annual blended instalments of principal and interest, with interest rates from 2.70% to 8.00%. Maturities of principal by fiscal year are as follows:		
2004	$ –	$ 47,891
2005	57,996	30,014
2006	63,424	30,316
2007	35,492	30,950
2008	31,024	26,304
2009	28,693	23,749
2010 through 2032	156,598	122,403
	373,227	311,627
Accrued Interest	248	–
	$ 373,475	$ 311,627

The approximate fair value of advances from the Province of Manitoba at March 31, 2004 is $397,214,780 (2003- $317,294,470). Fair values for the advances from the Province of Manitoba are based on the net present value of expected future cash flows, discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

10. PROVISION FOR EMPLOYEE PENSION BENEFITS

Corporation employees are eligible for defined benefit pensions under The Manitoba Civil Service Superannuation Act. In accordance with the provisions of this Act, the Corporation contributes 50% of the pension disbursements made to retired employees.

Actuarial valuations are to be carried out every three years to provide an estimate of the accrued liability for unfunded pension benefits. The most recent actuarial valuation was performed as at December 31, 2001. Based on the 2001 valuation for "Future Indexing", the actuarial liability for unfunded pension benefits is estimated to be $5,755,644 at March 31, 2004 (2003 - $5,351,288). MACC's pension contributions were $4,709 for the year ended March 31, 2004 (2003 - $696).

11. REAL ESTATE REVENUE

	Proceeds	Book Value	2004	2003
Sales to lessees	$ 525	$ 212	**$ 313**	$ 33
Sales by public tender	99	84	**15**	63
	$ 624	$ 296		
Net gain on sale of real estate			**328**	96
Lease revenue from real estate acquired in settlement of loans and from long-term leases			**152**	166
Other revenue			**–**	–
Interest revenue			**9**	3
			489	265
Less: Real estate carrying costs			**25**	26
			$ 464	$ 239

12. CONTINGENT LIABILITIES

a) The Corporation introduced the Operating Credit Guarantee Program on April 1, 2003, which replaced the Guaranteed Operating Loan Program introduced in April 1983. The Corporation guarantees each participating lending institution 25% of the total of each loan made under this program compared to the Guaranteed Operating Loan Program that guaranteed each participating lending institution 12 ½% of the respective total value of all loans made under the program. As of March 31, 2004, the Corporation's contingent liability amounted to $1,908,750 compared to the Guaranteed Operating Loan Program's contingent liability of $9,627,779 at March 31, 2003. Based on management's best estimate of probable losses, the Corporation has made a provision for this contingency in the amount of $290,750 compared to the provision of $1,083,176 at March 31, 2003 for the Guaranteed Operating Loan Program. The Corporation adjusts the provision to the level regarded by management as appropriate through a current provision charged or credited to administration expenditure for the year.

b) The Manitoba Cattle Feeder Associations Loan Guarantee Program was introduced jointly by Manitoba Agriculture, Food and Rural Initiatives and The Manitoba Agricultural Credit Corporation in November 1991. In September 1997, The Manitoba Agricultural Credit Corporation assumed responsibility for administration of the program. For each association, the Corporation provides a guarantee to the lending institutions, based on 25% of the amount of the loan to a maximum guarantee of $1,250,000. As of March 31, 2004 the Corporation's contingent liability amounted to $5,507,218 (2003 - $6,096,324). Based on management's best estimate of probable losses, a provision has been made for this contingency in the amount of $1,376,805 (2003 - $1,524,081).

c) The Diversification Loan Guarantee Program was introduced in December 1995, to provide guarantees on loans made by participating lenders, for diversification or farm value-added activities. The Corporation guaranteed 25% of the private lender's loan portfolio under this program. The maximum individual guaranteed loan allowable was $3 million. As at March 31, 2004, the Corporation's contingent liability under this program amounted to $15,351,919 (2003 - $16,701,431). Based on management's best estimate of probable losses on this program, the Corporation has established a provision in the amount of $2,725,587 (2003 - $2,505,213).

d) The Enhanced Diversification Loan Guarantee Program (DLG+) was approved in 2001, which replaced the Diversification Loan Guarantee Program. The guarantee is based on 25% of the original principal amount of the loan (no pooling) with no maximum loan cap. As at March 31, 2004, the Corporation's contingent liability under the DLG+ program amounted to $39,225,342 (2003 - $28,889,337). Based on management's best estimate of probable losses on this program, the Corporation has established a provision in the amount of $5,883,801 (2003 - $3,962,987).

e) The Corporation has guaranteed performance bonds of certain agricultural marketing agencies in the amount of $134,291 (2003 - $250,270). No provision for this contingency has been made in the financial statements. Any payments arising from claims under these guarantees will be recorded as an expense in the period the claims occur.

f) As at March 31, 2004 the Corporation had approved but not disbursed mortgages and other loans in the amount of $10,600,428 (2003 - $11,863,107).

13. REAL ESTATE

Based on a review of its current real estate portfolio, the Corporation has established a provision of $30,800 for 2004 (2003 - $18,000) to provide for future declines in real estate values. This provision represents management's best estimate of probable losses on sale of real estate.

		2004		2003
Real Estate	$	1,608	$	1,539
Provision for decline in real estate values		31		18
	$	1,577	$	1,521

14. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

15. COMPARATIVE FIGURES

Certain 2003 figures have been reclassified to conform to the 2004 financial statement presentation.

16. ECONOMIC DEPENDENCE

The Corporation is economically dependent on the Province of Manitoba.

MANITOBA arts COUNCIL
CONSEIL DES arts DU MANITOBA

[illegible]

[illegible]

May 26, 2004

MANAGEMENT'S REPONSIBILITY FOR FINANCIAL REPORTING

The preparation of the financial statements and other information contained in this Annual Report is the responsibility of management of the Manitoba Arts Council.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles using management's estimates and judgements where appropriate. The financial information shown elsewhere in this Annual Report is consistent with information contained in the financial statements.

Management of the Manitoba Arts Council has developed and maintains accounting systems and internal controls designed to provide reasonable assurance of the reliability of the financial information, and that assets are appropriately accounted for and adequately safeguarded.

The financial statements for the year ended March 31, 2004 have been audited by Magnus & Buffie in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

The Council, through its Audit/Finance/Human Resource Committee, carries out its responsibilitiesfor the review and approval of the financial statements and the Annual Report. The Audit/Finance/Human Resource Committee reports to Council who approves these financial statements and the Annual Report prior to release.

Douglas Riske

DOUGLAS RISKE, EXECUTIVE DIRECTOR

MAGNUS & BUFFIE

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the members of the Council,
Manitoba Arts Council

We have audited the financial position of Manitoba Arts Council as at March 31, 2004 and the statements of revenues and expenditures and changes in fund balances for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2004 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

CHARTERED ACCOUNTANTS

May 26, 2004

1810 - 444 St. Mary Avenue · Winnipeg, Manitoba · R3C 3T1 · Phone (204) 942-4441 · Fax (204) 944-0400

MANITOBA **ARTS** COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2004

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2004 TOTAL	2003 TOTAL
ASSETS				
Current Assets				
Cash and short-term investments *(note 3)*	$1,304,909		$1,304,909	$ 945,436
Accrued interest income	7,625	-	7,625	25,980
Accounts receivable	45,876	-	45,876	73,937
Prepaid expenses	7,386	-	7,386	251,084
	$1,365,796	-	$1,365,796	$1,296,437
Recoverable, Province of Manitoba *(note 11)*	36,000	-	36,000	36,000
Long term investment *(note 4)*	200,000	-	200,000	500,000
Musical instruments	104,796	-	104,796	104,796
Works of visual art	344,226	-	344,226	344,226
Capital assets *(note 5)*	95,358	-	95,358	118,759
Interfund balances	(286,410)	286,410	-	-
TOTAL ASSETS	**$1,859,766**	**$286,410**	**$2,146,176**	**$2,400,218**
LIABILITIES AND FUND BALANCES				
Current Liabilities				
Accounts payable and accrued liabilities	176,303	-	176,303	142,418
Commitments for grants and programs	938,791	242,836	1,181,627	1,490,915
Deferred grant revenue *(note 7)*	177,000	43,171	220,171	195,400
	1,292,094	286,007	1,578,101	1,828,733
Investments in musical instruments and works of visual art	449,022	-	449,022	449,022
	1,741,116	286,007	2,027,123	2,277,755
Fund Balances				
Invested in capital assets	95,358	-	95,358	118,759
Unrestricted	23,292	403	23,695	3,704
	118,650	403	119,053	122,463
TOTAL LIABILITIES AND FUND BALANCES	**$1,859,766**	**$286,410**	**$2,146,176**	**$2,400,218**

On behalf of Council

Judith N

CHAIR

EXECUTIVE DIRECTOR

The accompanying notes are an integral component of these financial statements.

MANITOBA **ARTS** COUNCIL
STATEMENT OF REVENUES AND EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2004

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2004 TOTAL	2003 TOTAL
REVENUES				
Province of Manitoba – Operating Grant (note 9)	$7,645,300	-	$7,645,300	$7,317,300
Province of Manitoba – Bridges Grant	-	1,007,229	1,007,229	1,178,580
Canadian Heritage	-	15,000	15,000	-
Investment Income	60,977	-	60,977	81,564
Other	26,610	-	26,610	24,682
	7,732,887	**1,022,229**	**8,755,116**	**8,602,126**
EXPENDITURES				
ORGANIZATIONS				
Annual & Operating Grants				
Arts Training Schools	145,100	-	145,100	148,000
Arts Service Organizations	120,224	-	120,224	122,925
Dance Companies	908,525	-	908,525	918,750
Music Organizations	1,176,000	-	1,176,000	1,171,525
Theatre Companies	1,544,045	-	1,544,045	1,454,150
Visual Arts Organizations	685,000	-	685,000	631,075
Book Publishers	235,012	-	235,012	203,740
Periodical Publishers	201,000	-	201,000	211,050
Multidisciplinary Arts Organizations	80,000	-	80,000	84,000
	5,094,906	-	5,094,906	4,945,215
Management & Governance	-	-	-	15,000
Presentation Grants	200,679	-	200,679	216,208
Touring Grants	264,922	-	264,922	239,775
	5,560,507	-	5,560,507	5,416,198
INDIVIDUALS				
Professional Development Grants	215,698	-	215,698	210,631
Creation and Production Grants	737,230	-	737,230	725,913
Touring Grants	20,895		20,895	44,177
Aboriginal Arts Grants	-	144,805	144,805	133,557
	973,823	144,805	1,118,628	1,114,278
ARTS DEVELOPMENT				
Residencies	257,792	-	257,792	257,705
Arts Opportunities	62,400	-	62,400	115,740
Award of Distinction	30,000	-	30,000	30,000
Arts Stabilization	-	200,000	200,000	200,000
Community Connections	-	30,829	30,829	70,872
Arts Education Initiatives	-	21,000	21,000	46,400
ArtsSmarts grant	-	10,000	10,000	-
	350,192	261,829	612,021	720,717
	6,884,522	406,634	7,291,156	7,251,193
Arts Program Delivery Expenditures (Schedule)	694,575	160,808	855,383	762,296
	7,579,097	567,442	8,146,539	8,013,489
Administrative Expenditures (Schedule)	682,221	-	682,221	695,299
	8,261,318	567,442	8,828,760	8,708,788
Rescinded Commitments	(70,234)	-	(70,234)	(33,878)
TOTAL EXPENDITURES	**8,191,084**	**567,442**	**8,758,526**	**8,674,910**
EXCESS REVENUES (EXPENDITURES) FOR THE YEAR	**$ (458,197)**	**$ 454,787**	**$ (3,410)**	**$ (72,784)**

The accompanying notes are an integral component of these financial statements.

MANITOBA **ARTS** COUNCIL
STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2004

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2004 TOTAL	2003 TOTAL
FUND BALANCES, BEGINNING OF YEAR	**$ 121,847**	**$ 616**	**$ 122,463**	**$ 195,247**
Excess revenues (expenditures) for the year	(458,197)	454,787	(3,410)	(72,784)
Interfund transfer	455,000	(455,000)	-	-
FUND BALANCES, END OF YEAR	**$ 118,650**	**$ 403**	**$ 119,053**	**$ 122,463**

The accompanying notes are an integral component of these financial statements.

1. AUTHORITY & PURPOSE

The Arts Council Act established the Manitoba Arts Council in 1965 to "... promote the study, enjoyment, production and performance of works in the arts." The Council is a registered charity (public foundation) and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(A) BASIS OF PRESENTATION

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles within the framework of the accounting policies summarized in these notes to the financial statements.

(B) FUND ACCOUNTING

The financial statements disclose the activities of the following funds maintained by the Council:

(i) Grants & Programs Fund

This fund reflects the disbursement and administration of grants and programs in the spirit of the aims and objects of Council defined in The Arts Council Act.

(ii) Bridges Fund

This fund was established in June 1999 to generate new initiatives in art development and practice, enhance public access to the arts and enhance administrative and governance skills for arts organizations. As well, the program will encourage new partnerships, provide more opportunities for professional development and assist in audience development. The excess of revenues over expenditures, if any, is transferred to the Grants & Programs Fund at an amount determined by the Council to fulfill similar goals and objectives.

(C) REVENUE RECOGNITION

The Council follows the deferral method of accounting for revenues. Unrestricted revenues are recognized as revenue in the appropriate fund when received or receivable. Restricted revenues are recognized as revenue in the fiscal year in which related expenses are incurred.

(D) GRANT COMMITMENTS

Grants and programs are reflected as expenditures when funding is formally approved and committed by Council. Cancellations of prior years' grant expenditures are reflected as rescinded grant commitments.

(E) CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis based on the estimated useful lives of the assets as follows:

Office furniture and equipment	10 years
Computer hardware and software	3 years

(F) INVESTMENTS

Investments are recorded at cost.

(G) MUSICAL INSTRUMENTS AND WORKS OF VISUAL ART

Musical instruments and works of visual art are shown on the Statement of Financial Position as assets at cost with an offsetting credit to investments in musical instruments and works of visual art.

H) FINANCIAL INSTRUMENTS

The Council's financial instruments consist of cash, receivables, investments, accounts payable and accrued liabilities and unpaid commitments. Unless otherwise noted, it is management's opinion carrying value of these instruments approximates their fair value and that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. CASH AND SHORT TERM INVESTMENTS

Cash and short term investments consists of cash $74,662 (2003 – $79,237) and short term investments totaling $1,230,247 (2003 – $866,199). The short term investments mature between April 2004 and May 2004 with yields ranging from 2.1% to 2.2%.

4. LONG TERM INVESTMENTS

The long term investments consists of a $200,000 (2003 – $500,000) Builder Bond (2003 – Royal Bank Senior Deposit Note), yielding 3.85% due June 15, 2006. The approximate fair value of the Bond is $207,000 (2003 – $527,000).

5. CAPITAL ASSETS

	2004			2003
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Office furniture and equipment	$103,784	$ 28,140	$ 75,644	$ 85,327
Computer hardware and software	269,417	249,703	19,714	33,432
	$373,201	**$ 277,843**	**$ 95,358**	**$118,759**

6. WORKS OF VISUAL ART

The Manitoba Arts Council moved selected works from the Visual Art Bank to the Art Gallery of Southwestern Manitoba. The Manitoba Foundation for the Arts awarded a grant to the Manitoba Arts Council to provide to the Art Gallery of Southwestern Manitoba for the care, storage and exhibition of those works. An art bank loan agreement between the Council and the Art Gallery of Southwestern Manitoba will end June 30, 2004.

7. DEFERRED GRANT REVENUE

Deferred revenue comprises unexpended funds targeted as follows:

	2004		2003	
	Grants & Programs	Bridges	Grants & Programs	Bridges
Organization Development	$ 172,000	$ -	$ -	$ -
Community Connections	-	-	-	$30,000
Management & Governance	5,000	-	5,000	-
Aboriginal Arts	-	-	-	10,400
Arts Education Initiative	-	-	-	20,000
Artists-in-the-Community	-	43,171	-	115,000
Ethnocultural Project	-	-	15,000	-
	$177,000	$43,171	$20,000	$175,400

8. LEASE COMMITMENT

Council has entered into an agreement to lease office premises until March 31, 2012 with basic annual rent of $103,945 (effective May 1, 2004 basic annual rent will be $115,868). Expenses arising from an escalation clause for taxes, insurance, utilities and building maintenance are in addition to the basic rent.

9. FUNDING AGREEMENT

The funding agreement with the Province of Manitoba established the terms and conditions of funding for five years ended March 31, 2000. During the term of the agreement, Council was entitled to retain proceeds up to $1,000,000 from the Province of Manitoba. Any proceeds retained in excess of $1,000,000, except for proceeds exempted in the funding agreement, would have been repaid to the Province of Manitoba on demand. In accordance with this Agreement, there were no proceeds repayable to the Province. As at March 31, 2004, the Council was in discussions with the Province regarding the terms of a new funding agreement.

10. PENSION PLAN

Eligible employees are participants in the Manitoba Civil Service Superannuation Fund. The Council participates on a fully funded basis and its contributions of $13,369 (2003 - $12,015) represent the total obligations for the year.

11. SEVERANCE LIABILITY

Effective March 31, 1999, the Manitoba Arts Council, as a Crown organization, is required to record severance liability. The Province of Manitoba has recognized an opening liability of $36,000 as at April 1, 1998. Any subsequent changes to the severance liability will be the responsibility of Council. As at March 31, 2004, Council recorded a liability of $58,907 (2003 - $55,857). This liability is included in accounts payable and accrued liabilities.

12. STATEMENT OF CASH FLOWS

A statement of cash flow is not presented as part of the financial statements as Council has determined that cash flow information is readily determinable from the other financial statements.

13. ECONOMIC DEPENDENCE

A substantial portion of the Council's total revenue is derived from the Province of Manitoba in the form of an operating grant.

14. COMPARATIVE AMOUNTS

The comparative amounts presented in the financial statements have been reclassified to conform to the current year's presentation.

MANITOBA **ARTS** COUNCIL
SCHEDULE OF ADMINISTRATIVE EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2004

	GRANTS & PROGRAMS FUND	
	2004 TOTAL	2003 TOTAL
Salaries and benefits	$442,203	$411,221
Council meetings	61,263	71,583
Rent	54,818	64,436
Amortization	41,668	46,352
Office supplies, printing and stationery	17,701	19,190
Postage, courier and telephone	16,513	24,477
Staff travel and expenses	15,657	18,866
Insurance & sundry	7,597	7,203
Professional fees	5,288	6,395
Equipment repairs and maintenance	4,513	3,076
TOTAL ADMINISTRATIVE EXPENDITURES	**$667,221**	**$672,799**
Other Administrative Expenditures		
Art Bank Administration	$ 15,000	$ 22,500
	$682,221	**$695,299**

MANITOBA **ARTS** COUNCIL
SCHEDULE OF ARTS PROGRAM DELIVERY EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2004

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2004 TOTAL	2003 TOTAL
Salaries and benefits	$416,492	$113,965	$530,457	$440,559
Professional fees	84,123	0	84,123	73,083
Jurors' fees and expenses	64,443	4,856	69,299	78,370
Rent	45,719	6,239	51,958	57,835
Communication	36,234	1,581	37,815	48,138
Policy Development	24,000	0	24,000	0
Community consultations	6,064	17,255	23,319	12,863
Staff travel and expenses	5,976	12,742	18,718	18,110
Postage, courier and telephone	6,402	2,099	8,501	8,528
Office supplies	2,294	2,071	4,365	3,960
Touring Development	2,828	-	2,828	20,850
	$694,575	**$160,808**	**$855,383**	**$762,296**

AUDIT REPORT

To the Board of Commissioners of
Manitoba Boxing Commission

We have audited the balance sheet of Manitoba Boxing Commission as at March 31, 2004, the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The organization derives revenue from commissions, licences and permits, the complteness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of the revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenue over expense, assets ans surplus.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceeding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

September 23, 2004
Winnipeg, Canada

KWB

MANITOBA BOXING COMMISSION
BALANCE SHEET
March 31, 2004

ASSETS

	2004	2003
Current Assets		
Cash	$ 2,432	$ 6,376
Accounts receivable	3,233	3,403
Prepaid expenses	350	350
	6,015	10,129

LIABILITIES

	2004	2003
Current Liabilities		
Accounts payable and accrued liabilities	$ 12,531	$ 15,206
Performance bonds	2,000	2,000
	14,531	17,206

DEFICIENCY

	2004	2003
(Net Assets (Deficiency)	(8,516)	(7,077)
	(8,516)	(7,077)
	$ 6,015	$ 10,129

ON BEHALF OF THE BOARD:

M. Black ....**Director**

MANITOBA BOXING COMMISSION
STATEMENT OF (EXCESS OF EXPENSES OVER REVENUES)
Year ended March 31, 2004

	2004	2003
Revenue		
Commissions, licences and permits	$ 7,210	$ 6,747
Grant - Province of Manitoba	29,100	29,100
Other income	126	16
	36,436	35,863
Expenses		
Administration	14,400	14,400
Bad debts	1,100	-
Card expenses	1,357	1,452
Honoraria	4,200	4,700
Conferences	3,532	9,358
Credit card discounts	384	-
Dues and subscriptions	350	350
Card inspection fees	7,562	4,900
Office expense	637	320
Professional fees	3,918	3,709
Promotion	363	1,224
Repairs and maintenance	72	-
	37,875	40,413
Net income (loss)	$ (1,439)	$ (4,550)

MANITOBA BOXING COMMISSION
STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2004

Invested in Capital Assets	Unrestricted	Internally Restricted	Invested in Capital Assets	2004	2003
Balance, beginning of the year	(7,077)	-	-	$ (7,077)	$ (2,527)
Excess of revenue over expenses	-	(1,439)	-	(1,439)	(4,550)
Balance, end of year	(7,077)	(1,439)	-	$ (8,516)	$ (7,077)

MANITOBA BOXING COMMISSION
CASH FLOWS
Year ended March 31, 2004

	2004	2003
From operating activities		
Cash receipts from customers	$ 36,606	$ 33,305
Cash paid to suppliers and employees	(40,550)	(30,739)
	(3,944)	2,566
Cash increase (decrease)	(3,944)	2,566
Cash, beginning of year	6,376	3,810
Cash, end of year	$ 2,432	$ 6,376

MANITOBA BOXING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

1 **Statues of Incorporation**

The Commission was incorporated under the provisions of the Province of Manitoba by a proclamation dated October 16, 1983.

2 **Nature of Operations**

The Manitoba Boxing Commission is a commission, pursuant to the boxing commission act, Cap. B80, C.C.S.M., of the Province of Manitoba. The purpose of the organization is to regulate professional boxing matches in the Province of Manitoba in accordance with regulations as set down in the Act

3 **Significant Accounting Policies**

Theses financial statements have been prepared in accordance with generally accepted accounting policies for not-for-profit organizations

4 **Economic Dependence**

The Commission is economically dependent on the Province of Manitoba which provides funding through an annual grant

Management Report

The accompanying financial statements of the Manitoba Centennial Centre Corporation are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. These principles have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to May 12, 2004.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Manitoba Centennial Centre Corporation are properly safeguarded.

The responsibility of the Office of the Auditor General is to express an independent, professional opinion on whether the financial statements of the Manitoba Centennial Centre Corporation are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Bob Sochasky, CMA, FCMA
Executive Director

Laura Proulx, CMA
Director of Finance & Administration

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Centennial Centre Corporation

We have audited the statement of financial position of The Manitoba Centennial Centre Corporation as at March 31, 2004 and the statement of operations and surplus - general fund, the statement of cash flows – general fund and the statement of capital projects for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 12, 2004

MANITOBA CENTENNIAL CENTRE CORPORATION
STATEMENT OF FINANCIAL POSITION
As at March 31, 2004

ASSETS

	2004	2003
GENERAL FUND		
Current Assets		
Cash and bank	$ 299,899	$ 278,188
Term deposits - Province of Manitoba	206,694	174,068
Accounts receivable (Note 12)	131,018	117,779
Capital grants recoverable - Province of Manitoba	105,318	-
Inventory	26,510	25,228
Prepaid expenses	53,975	27,283
	823,414	622,546
Non-Current Assets		
Accounts receivable - Pension -Province of Manitoba (Note 6)	4,658,000	4,448,000
Accounts receivable - Vacation - Province of Manitoba (Note 5)	199,964	199,964
Accounts receivable - Severance - Province of Manitoba (Note 4)	307,561	307,561
	5,165,525	4,955,525
Total Assets	5,988,939	5,578,071
RESTRICTED FUNDS (note 7)		
Current Assets		
The Maitland Steinkopf Youth Fund		
Term deposit - Province of Manitoba	66,475	65,200
The Manitoba Centennial Foundation of the Future Fund		
Term deposit - Province of Manitoba	53,794	54,795
	120,269	119,995
	$ 6,109,208	**$ 5,698,066**

LIABILITIES AND FUNDS RETAINED

	2004	2003
GENERAL FUND		
Current Liabilities		
Accounts payable and accrued liabilities	$ 488,790	$ 457,974
Accrued vacation liability (Note 5)	182,304	182,944
Capital advances (Note 8)	16,244	16,244
Deferred income and rental deposits	25,875	9,117
	713,213	666,279
Non-Current Liabilities		
Pension liability (Note 6)	4,658,000	4,448,000
Accrued severance pay (Note 4)	367,054	338,238
Provision for deductible costs on insurance claims (Note 9)	15,000	15,000
	5,040,054	4,801,238
Total Liabilities	5,753,267	5,467,517
Surplus	235,672	110,554
	5,988,939	5,578,071
RESTRICTED FUNDS (Note 7)		
Funds Retained		
The Maitland Steinkopf Youth Fund	66,475	65,200
The Manitoba Centennial Foundation of the Future Fund	53,794	54,795
	120,269	119,995
	$ 6,109,208	**$ 5,698,066**

Commitments (Note 8)

Approved on Behalf of the Board

Director

Director

The accompanying notes are an integral component of these financial statements

MANITOBA CENTENNIAL CENTRE CORPORATION
STATEMENT OF OPERATIONS AND SURPLUS - GENERAL FUND
For the year ended March 31, 2004

	2004	2003
Revenues		
Rentals		
Concert Hall	$ 458,249	$ 447,293
Sustaining fees	154,792	156,159
Office space	39,117	36,392
Bar and concession sales	206,412	197,228
Administration fees	16,000	23,499
Parking fees	579,367	543,163
Checkroom fees	11,138	13,264
Program income	9,867	9,868
Investment income	10,744	4,377
Miscellaneous	18,959	16,393
	1,504,645	1,447,636
Province of Manitoba grants		
Operating	2,691,500	2,691,500
Pension (Note 6)	210,000	404,500
	2,901,500	3,096,000
Recoveries of expenses	177,181	173,761
Total revenues, grant and recoveries	4,583,326	4,717,397
Expenses		
Administration and general (Note 12)	490,146	778,491
Bar and concession operations	123,804	118,405
Building services and maintenance	1,206,054	1,208,833
Host services and special projects	214,851	201,535
Parking services	204,634	214,824
Pension (Note 6)	210,000	404,500
Security services	395,757	373,445
Stage operations	283,080	260,067
	3,128,326	3,560,100
Expenses incurred on behalf of the Manitoba Museum of Man and Nature (Note 10)	1,329,882	1,327,080
Total expenses - per schedule	4,458,208	4,887,180
Excess (deficiency) of revenues over expenses	125,118	(169,783)
Surplus, beginning of year	110,554	280,337
Surplus, end of year	$ 235,672	$ 110,554

The accompanying notes are an integral component of these financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION
STATEMENT OF CASH FLOWS - GENERAL FUND
For the year ended March 31, 2004

	2004	2003
Cash provided by (used for)		
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	$ 125,118	$ (169,783)
Changes in non-cash working capital items		
Accounts receivable (Note 12)	(13,239)	172,756
Inventory	(1,282)	(6,345)
Prepaid expenses	(26,692)	(8,145)
Accounts payable and accrued liabilities	76,495	13,293
Deferred income and rental deposits	16,758	(5,583)
Accrued vacation liability	(640)	2,845
Accrued severance pay	28,816	517
	205,334	(445)
Cash flows from investing and financing activities		
Capital grants - Province of Manitoba	192,851	1,186,310
Capital expenditures	(343,848)	(981,470)
	(150,997)	204,840
Increase in cash and cash equivalents during the year	54,337	204,395
Cash and cash equivalents, beginning of year	452,256	247,861
Cash and cash equivalents, end of year	$ 506,593	$ 452,256
Represented by:		
Cash and bank	$ 299,899	$ 278,188
Term deposits - Province of Manitoba	206,694	174,068
	$ 506,593	$ 452,256

The accompanying notes are an integral component of these financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION
STATEMENT OF CAPITAL PROJECTS
For the year ended March 31, 2004

	2004	2003
Capital Expenditures		
Building envelope - Museum	$ 16,400	$ 350,000
Chilled Water	-	203,310
Concert Hall washrooms	-	125,571
Concert Hall refurbishment	24,179	8,810
Courtyard stairs and fountain	4,599	-
Electrical/mechanical maintenance	9,892	6,043
Elevator	594	-
Equipment and furnishings	17,102	25,093
Exterior lighting	4,410	-
Hardware/keys/doors	5,989	4,293
H.V.A.C. upgrade	18,186	-
Parkade Equipment	45,860	-
Parking Development	-	100
Parking Lots	45,866	4,758
Power Factor Correction Equipment	3,959	-
Roof	40,335	5,029
Sprinkler Systems Plaque	3,293	-
Stage lighting	6,398	13,375
Stage and rigging	-	17,842
Stage sound	7,665	-
Systems motor controls	-	38,350
Tenant Improvements	19,439	1,027
Website Development	7,003	-
Workplace Health and Safety Management	17,000	-
	298,169	803,601
Capital grants - Province of Manitoba		
Received during the year	(192,851)	(636,052)
Advances for next year	-	16,244
Advances from previous year	-	(183,793)
Recoverable	$ 105,318	$ -

MANITOBA CENTENNIAL CENTRE CORPORATION
SCHEDULE OF EXPENSES
For the year ended March 31, 2004

	2004	2003
Administration and general		
Salaries and employee benefits	$ 440,843	$ 408,474
Insurance	88,060	63,227
Telephone and fax	16,810	17,910
Audit and legal	15,156	12,284
Other	52,226	39,516
Payroll service	8,894	8,499
Bad debts (Note 12)	24,872	336,582
Health and post secondary education tax levy	6,442	44,118
	653,303	930,610
Bar and concession operations		
Salaries and employee benefits	45,488	47,842
Cost of goods sold	71,073	67,984
Other	7,245	2,579
	123,806	118,405
Building services and maintenance		
Salaries and employee benefits	1,173,041	1,162,980
Light, power and water	462,118	465,770
Heat	383,602	438,606
Repairs, maintenance and supplies	99,964	108,824
Other	201,297	156,517
	2,320,022	2,332,697
Host services and special projects		
Salaries and employee benefits	194,183	190,332
Other	20,668	11,203
	214,851	201,535
Parking services		
Salaries and employee benefits	120,327	112,889
Agency fees and expenses	80,000	99,018
Other	4,306	2,917
	204,633	214,824
Pension (Note 6)	210,000	404,500
Security Services		
Salaries and employee benefits	440,839	417,991
Other	7,674	6,551
	448,513	424,542
Stage operations		
Salaries and employee benefits	258,721	234,196
Repairs, supplies and equipment	24,359	25,871
	283,080	260,067
Total Expenses	4,458,208	4,887,180
Less: Expenses incurred on behalf of the Manitoba Museum of Man and Nature (Note 10)	1,329,882	1,327,080
Net Expenses	$ 3,128,326	$ 3,560,100

The accompanying notes are an integral component of these financial statements.

1. Nature of the Corporation's Operations

The Centennial Centre Corporation was established in 1968 for the development and management of the permanent arts centre in the City of Winnipeg as the principal memorial in the Province to the centennial anniversaries of the Confederation of Canada and the inclusion of Manitoba as a Province. Its aim and objectives are to maintain and enhance the properties and facilities available to organizations and individuals involved in various elements of the visual and performing arts.

2. Properties of the Centre

The Corporation oversees the properties of the Centre on behalf of the Province of Manitoba. At March 31, 2004 registered titles to these properties, being the Concert Hall, parkade, parking lots and other buildings, are held by the Province of Manitoba. These properties are made available at no direct charge to the Corporation. Costs incurred by the Province of Manitoba are accounted for by the Centre in the Statement of Capital Projects.

3. Accounting Policies

(a) The Corporation's financial statements have been prepared on a fund basis, using Canadian generally accepted accounting principles. The general fund is used to account for the operations of the Centre. The restricted funds, which are the Maitland Steinkopf Youth Fund and the Manitoba Centennial Foundation of the Future Fund, are described in note 7.

(b) Pension payments are recognized as operating expenses as payments are made under provisions of The Manitoba Civil Service Superannuation Act. The provisions of this Act require the Corporation to contribute 50% of the pension payments being made to retired employees. In addition, a provision has been recorded in the accounts of the Corporation for current and past service pension obligations.

(c) Investments are recorded at cost plus accrued interest.

(d) Inventory is valued at the lower of cost, using the first in first out method, and net realizable value.

(e) In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

4. Severance Pay Benefits

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees. The amount of this estimated liability is determined using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 23 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Corporation's employees. Accordingly, the Corporation recorded, effective April 1, 1998, a receivable of $307,561 from the Province of Manitoba, which is an amount that is equal to the estimated liability for accumulated severance pay benefits at March 31, 1998. This receivable from the Province of Manitoba has no terms of repayment.

5. Vacation Pay Liability

In years prior to 2001, the Corporation recorded the estimated liability and the related expense for accumulated vacation pay benefits to its employees. In 2001, the Corporation was advised by the Province of Manitoba that the Province has accepted responsibility for the vacation pay liability accumulated to March 31, 1995 which amounts to $199,964. Accordingly, the Corporation recorded, in 2001, a receivable of $199,964 from the Province of Manitoba with retroactive restatement of prior periods. This receivable from the Province of Manitoba has no terms of repayment.

6. Pension Liability

The Corporation records the actuarial pension liability and the related pension expense in their financial statements. Based on an actuarial report dated December 31, 2001, the unfunded liability for the Corporation's employees, calculated on an indexed basis, amounted to $4,658,000 as at March 31, 2004 (2003 - $4,448,000). For the year ended March 31, 2004, the Corporation recorded a pension liability of $4,658,000 (2003 - $4,448,000) and the related pension expense of $210,000 (2003 - $404,500).

Since the Province of Manitoba is responsible for the pension liability and the related expense, the Corporation has recorded an amount receivable from Province of Manitoba of $4,658,000 (2003 - $4,448,000) and the related revenue of $210,000 (2003 - $404,500). This receivable from the Province of Manitoba has no terms of repayment.

7. Restricted Funds

Restricted Funds established and managed by the Corporation are as follows:

(a) The Maitland Steinkopf Youth Fund

In 1972, the Corporation established the Maitland Steinkopf Youth Fund with an original allocation of $25,000. The major purpose of this fund is to promote cultural opportunities for Manitoba youths at reasonable costs.

Summary of Transactions

	2004	2003
Fund balance, beginning of year	$ 65,200	$ 66,348
Investment income	1,775	1,677
Grant expense	(500)	(2,825)
Fund balance, end of year	$ 66,475	$ 65,200

(b) The Manitoba Centennial Foundation of the Future Fund

In 1969, the Corporation established the Foundation of the Future Fund in recognition of

Manitoba's centennial year. The terms of the Foundation's establishment provide that the Board of Directors of the Foundation will be composed of children born on six special dates in the year 1970. Based on the number of children born on these dates, the Corporation allocated $3,050 to the Fund.

Summary of Transactions

	2004	2003
Fund balance, beginning of year	$ 54,795	$ 53,445
Investment income	1,499	1,350
Grant expense	(2,500)	0
Fund balance, end of year	$ 53,794	$ 54,795

The Board of Directors of the Foundation have decided funds will be used toward an annual bursary program for those pursuing careers in the Arts. In addition, a plaque will be located in the Concert Hall recognizing the Centennial Babies and the recipients of the bursary awards.

8. Capital Advances and Commitments

The Corporation has no contractual commitments at the end of 2004 (2003 – $Nil) to complete capital improvements.

Capital funds in the amount of $16,244 (2003 - $16,244) were drawn in advance on projects awarded, but not completed by March 31, 2004.

9. Provision for Deductible Costs on Insurance Claims

The insurance program of the Corporation contains a deductible clause requiring the Corporation to pay the first $5,000 on any claim with a maximum of $15,000 in any one year. The Corporation has set aside a provision of $15,000 and, as long as the conditions of the insurance coverage are unchanged, it will be maintained at this level.

10. Grant of Service

The Manitoba Centennial Centre Corporation incurs expenses such as cleaning, utilities and maintenance on behalf of the Manitoba Museum of Man and Nature. These expenses amount to $1,329,882 for the year ending March 31, 2004 (2003 - $1,327,080)

11. Financial Instruments

The Corporation's financial instruments consist of cash, term deposits, accounts receivable and accounts payable. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

12. Accounts Receivable and Bad Debts

The Corporation has an account receivable at March 31, 2004 from the Winnipeg Symphony Orchestra in the amount of $391,396 (2003 - $334,330). The Winnipeg Symphony Orchestra has been experiencing financial difficulties and is currently unable to meet its past obligations to its creditors. Although the Corporation's management is making every effort to collect this receivable and anticipates that the receivable will be collected, the timing of that collection is uncertain. As a result of the uncertainty related to the Winnipeg Symphony Orchestra's financial situation, the Corporation recorded, in the 2003 fiscal year, an allowance for doubtful accounts in the amount of $334,330. In the 2004 fiscal year the Corporation has recorded an additional allowance for doubtful accounts of $29,271 for the Winnipeg Symphony Orchestra.

13. Economic Dependence

The Corporation is economically dependent on funding received from the Province of Manitoba.

Deloitte

Deloitte & Touche LLP
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Canada
Tel: (204) 942-0051
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www.deloitte.ca

AUDITORS' REPORT

To the Members of
Manitoba Community Services Council Inc.

We have audited the balance sheet of Manitoba Community Services Council Inc. as at March 31, 2004 and the statements of financial activities and changes in net assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
May 4, 2004

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Balance Sheet

March 31, 2004

	2004	2003
ASSETS		
CURRENT		
Cash	**$ 262,334**	$ 367,390
Accounts receivable (Note 3)	**26,568**	20,515
Prepaid expenses	**5,393**	4,922
Current portion of long-term deposit receipts (Note 5)	**260,060**	211,932
	554,355	604,759
FIXED ASSETS (Note 4)	**18,648**	23,544
LONG-TERM DEPOSIT RECEIPTS (Note 5)	**333,350**	364,393
	$ 906,353	$ 992,696
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 3,873**	$ -
Allocations not yet paid	**550,919**	641,634
	554,792	641,634
NET ASSETS		
Net assets invested in fixed assets	**18,648**	23,544
Funds for future allocation	**332,913**	327,518
	351,561	351,062
	$ 906,353	$ 992,696

APPROVED BY THE BOARD

.... Chairperson

.... Vice-Chairperson

MANITOBA COMMUNITY SERVICES COUNCIL INC.
Statement of Changes in Net Assets
Year Ended March 31, 2004

	Invested in Fixed Assets	Funds for Future Allocation	Total 2004	Total 2003
BALANCE, BEGINNING OF YEAR	$ 23,544	$ 327,518	**$ 351,062**	$ 386,647
EXCESS (DEFICIENCY) OF REVENUE OVER ALLOCATIONS AND EXPENSES	(12,144)	12,643	**499**	(35,585)
INVESTED IN FIXED ASSETS	7,248	(7,248)	**-**	-
BALANCE, END OF YEAR	$ 18,648	$ 332,913	**$ 351,561**	$ 351,062

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Statement of Financial Activities

Year Ended March 31, 2004

	2004	2003
REVENUE		
Provincial funding (Note 6)	$ 1,980,000	$ 1,980,000
Interest	31,388	34,941
Allocations recovered	-	31,178
	2,011,388	2,046,119
ALLOCATIONS AND EXPENSES		
Accommodation and services	33,626	32,424
Administrative expenses - Schedule 1	33,936	31,048
Grant allocations - Schedule 2	1,712,144	1,813,150
Amortization	12,144	9,071
Office and computer supplies	15,190	9,038
Salaries and benefits	203,849	186,973
	2,010,889	2,081,704
EXCESS (DEFICIENCY) OF REVENUE OVER ALLOCATIONS AND EXPENSES	$ 499	$ (35,585)

1. INCORPORATION

Manitoba Community Services Council Inc. (Council) was incorporated under The Corporations Act of Manitoba on March 13, 1990 without share capital, created for the purpose of distributing bingo events and provincial funds to non-profit community organizations on behalf of the Province of Manitoba.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) *Statement of cash flows*

A statement of cash flows has not been presented since information concerning cash flows is evident from the financial statements presented.

b) *Long-term deposit receipts*

Long-term deposit receipts are carried at cost.

c) *Fixed assets*

Fixed asset acquisitions are capitalized in the year of purchase at values equal to cost. Amortization is provided for on a straight-line basis at rates specified in Note 4.

d) *Financial instruments*

Financial risk
The financial risk is the risk to the Council's earnings that arises from fluctuations in interest rates and the degree of volatility of those rates. The Council does not use derivative instruments to reduce its exposure to interest rates.

Credit risk
Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Council. The Council limits credit risk by investing in investees that are considered to be high quality credits and by utilizing an internal investment policy.

Fair value
The fair value of cash, accounts receivable, accounts payable and accrued liabilities, and allocations not yet paid approximate their carrying value due to their short-term maturity.

3. ACCOUNTS RECEIVABLE

	2004	2003
Interest receivable	$ 24,201	$ 16,645
G.S.T. refund	2,367	3,870
	$ 26,568	$ 20,515

4. FIXED ASSETS

	2004			2003	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates
Leasehold improvements	$ 7,762	$ 6,210	$ 1,552	$ 3,104	Lease Term
Furniture, fixtures and equipment	22,517	15,590	6,927	11,430	20%
Computer equipment	58,767	48,598	10,169	9,010	30%
	$ 89,046	$ 70,398	$ 18,648	$ 23,544	

5. LONG-TERM DEPOSIT RECEIPTS

	2004	2003
5.5% Manitoba Hydro Bond, maturing June 15, 2004	$ 200,000	$ 200,000
2.5% Manitoba Hydro Bond, maturing June 15, 2006	27,500	27,500
4.1% Bank of Montreal GIC, maturing July 25, 2005	136,892	136,893
3.53% RES Bell Canada, maturing February 15, 2015	119,193	-
4.3% Canadian Western Bank GIC, maturing February 11, 2005	60,060	-
3.35% Canadian Western Bank GIC, maturing November 20, 2005	49,765	-

5. LONG-TERM DEPOSIT RECEIPTS (Continued)

	2004	2003
5.40% Royal Bank of Canada Bond, matured April 7, 2003	$ -	$ 81,615
Royal Canadian Treasury Bill Fund	-	6,037
8.75% Province of Ontario Bond, matured April 22, 2003	-	17,578
5.8% Export Development Corp, matured September 15, 2003	-	106,702
	593,410	576,325
Less current portion	**260,060**	211,932
	$ 333,350	$ 364,393

The market value of long-term deposit receipts held at March 31, 2004 was $617,180 (2003 - $591,927).

6. PROVINCIAL FUNDING

The Province of Manitoba has committed funding in the amount of $1,980,000 for the year ended March 31, 2005.

7. COMMITMENT

The Council has leased realty pursuant to a lease agreement, until March 31, 2005. Under the terms of the lease, the Council is responsible for base rent and its proportionate share of property taxes and operating costs of the building.

The minimum lease payment for next year is as follows:

2005	$ 11,576

8. BINGO HALL EARNINGS

The Council allocates a certain number of bingo events to various organizations that it funds. Numerous community service organizations earned a total of $833,400 (2003 - $836,100) through participation in bingo events.

The funds received from bingos are paid directly by the Manitoba Lotteries Corporation to the above organizations. These funds are not reflected on the statement of financial activities.

9. PENSION PLAN

The employees of the Council participate in the United Way Agencies Pension Plan, a multi-employer, defined benefit pension plan, which is accounted for as a defined contribution plan. The Council's pension contribution and expense for the year was $11,892 (2003 - $5,745).

An actuarial valuation indicated that a funding deficiency existed in the plan as at December 31, 2002. Based on the December 31, 2002 valuation, the Council has been assessed a solvency payment of $3,323 for calendar 2004. A new actuarial valuation as of December 31, 2003 is in process to determine the effect of market improvements on the funding deficiency.

Schedule 1

MANITOBA COMMUNITY SERVICES COUNCIL INC.
Administrative Expenses
Year Ended March 31, 2004

	2004	2003
Bank charges	$ 741	$ 659
Courier	738	1,370
Meeting costs and volunteer travel	14,648	13,772
Miscellaneous office costs	6,278	5,371
Postage	2,073	948
Professional fees	3,255	3,092
Telephone	6,203	5,836
	$ 33,936	$ 31,048

Schedule 2
(Page 1 of 6)

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Grant Allocations

Year Ended March 31, 2004

Alexander Rink Committee	$ 3,000.00
Amyotrophic Lateral Sclerosis Society of Manitoba	$10,000.00
Arborgate Parent Advisory Council	$ 2,000.00
Association for Community Living Atelier Riviere Rouge	$ 6,000.00
Association of Community Theatres of Manitoba Inc.	$ 1,000.00
Baldur Curling Club	$ 8,000.00
Balmoral Community Hall Inc.	$ 5,000.00
Balmoral Recreation Enterprises Incorporated	$20,000.00
Beausejour Elementary School Parent Advisory Council	$ 2,000.00
Beausejour Kids Centre	$ 3,500.00
Bethany Community Centre Inc.	$10,000.00
Blumenort Recreation Association Inc.	$ 3,000.00
Boissevain-Morton Recreation Commission	$30,000.00
Bookmates Inc.	$10,000.00
Border Regional Library	$ 5,000.00
Boy Scouts of Canada – 11th Winnipeg Group	$ 2,000.00
Brandon Riverbank Inc.	$ 3,000.00
Brandon Seniors for Seniors Co-op Inc.	$12,000.00
Broad Valley Community Hall	$10,000.00
Brooklands Day Care Centre Inc.	$ 5,000.00
Burntwood School Parent Council	$17,000.00
Burrough of the Gleann Museum and Archives	$ 2,000.00
Camp Manitou Inc.	$19,000.00
Canadian Council of the Blind – Manitoba Division	$10,000.00
Canadian Liver Foundation (Manitoba Chapter)	$10,000.00
Canadian Mental Health Association-Norman	$10,000.00
Canadian Red Cross Society – Manitoba Region	$ 1,000.00
Carberry Child Care	$16,000.00
Care and Share Children's Centre	$10,000.00
Career Trek Inc.	$22,000.00
Carman Active Living Centre	$12,000.00
Chancellor School Parent Advisory Council	$ 1,000.00
Citizenship Council of Manitoba	$16,000.00
Clearwater Rink Board	$ 3,000.00
Club Age D'or St. Claude Inc.	$ 3,000.00
	$302,500.00

Schedule 2
(Page 2 of 6)

MANITOBA COMMUNITY SERVICES COUNCIL INC.
Grant Allocations
Year Ended March 31, 2004

Club D'Age D'or Notre Dame Inc.	$ 3,500.00
Club De L'Amitie De La Broquerie, Inc.	$ 2,000.00
Club Les Bles D'or De Lorette, Inc.	$ 2,000.00
Comite' De Parents Ecole Communautaire Gilbert-Rosset	$ 3,000.00
Communities in Bloom - Belmont	$ 3,000.00
Creative Retirement Manitoba	$20,900.00
D.A.S.C.H. Inc.	$ 6,000.00
Dauphin & District Handivan Association Inc.	$11,000.00
Dauphin Joint Recreation Commission	$25,000.00
Disabled Sail Manitoba Inc.	$ 4,000.00
Douglas Playground Committee	$ 5,000.00
Dove Homes	$ 5,000.00
Dunhartwood Co-operative Community Club	$ 6,000.00
Dunrea Rink Committee	$ 5,112.00
Earl Grey Children's Centre	$ 4,000.00
Ecole Gabrielle Roy Parent Committee	$ 6,000.00
Ecole Ste. Anne Immersion Advisory Council	$ 3,000.00
Elizabeth Fry Society	$25,000.00
Elkhorn District Community Centre	$10,000.00
Elm Park Committee	$ 6,000.00
Emerson Cooperative Community Centre	$ 4,000.00
Erickson & District Recreation Association	$20,000.00
Eyaa-Keen Centre	$15,000.00
Family Life Education Support & Wellness Centre Inc.	$ 1,000.00
Fisher Branch & Area Playground Enhancement Committee	$15,000.00
Fisher Branch Recreation Centre, Inc.	$22,000.00
Flin Flon & District Environment Council Inc.	$10,000.00
Flin Flon Community Choir	$ 2,000.00
Fort La Reine School Parent Council	$ 5,000.00
Foxwarren Leisure Centre, Inc.	$ 3,000.00
Garson Community Rink Facility Inc.	$10,000.00
Graffiti Art Programming, Inc.	$15,000.00
Grandmont Park Renewal Committee	$ 4,000.00
Grand-Plains Handivan Inc.	$10,000.00
Grandview & District Community Resource Council Inc.	$ 4,500.00
	$296,012.00

Schedule 2
(Page 3 of 6)

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Grant Allocations

Year Ended March 31, 2004

Grosvenor School Association	$10,000.00
Hamiota Kids Club Inc.	$12,000.00
Hamiota Parent Advisory Council	$ 3,000.00
Hamiota Seniors Council Inc.	$ 4,000.00
Hampstead Parent Association	$ 2,500.00
Harrow School Parent Advisory Council	$12,000.00
Hazelridge Parent Teacher Group	$ 1,500.00
Hearthstone Community Group Inc.	$ 7,000.00
Hooper's Lake Re-Development Committee	$12,500.00
Huntington Society of Canada – Manitoba Chapter	$10,000.00
Infertility Awareness Association of Canada – Manitoba Chapter	$10,000.00
Intervention Manitoba Inc.	$12,000.00
Inwood Park Association	$ 2,000.00
John Howard Society of Manitoba Inc.	$25,000.00
John Pritchard Band Parents Association	$ 3,000.00
John Pritchard School Parents' Advisory Council	$ 6,000.00
K.I.D.S. Inc. (Kids in Daycare Are Super Inc.)	$ 2,000.00
Kali Shiva Aids Services	$ 3,000.00
Kelchris Inc.	$ 1,000.00
Kiddie Sunshine Centre	$ 3,500.00
Kings Park Child Centre	$ 5,000.00
La Cooperative Du Comite Culturel De Ste. Anne Inc.	$ 2,000.00
La Salle School Parents Advisory Council	$ 1,500.00
Lac Du Bonnet & District Arena Board	$20,000.00
Lake Francis Community Centre	$14,000.00
Lakeside Golf Club Inc. – Shoal Lake	$ 5,000.00
Lakewood Elementary School Parent Council	$ 4,000.00
Lansdowne Recreation Commission	$ 1,500.00
Learning Disabilities Association of Manitoba	$ 4,000.00
Lockport Children's Festival Inc.	$ 1,000.00
Louise Community Support Services	$ 2,500.00
Lynn Lake Recreation Board	$20,000.00
MacDonald Youth Services	$ 5,800.00
MacGregor & District Recreation Association/Rainbow Spray Park	$ 8,000.00
Manitoba Children's Museum Inc.	$ 2,000.00
	$238,300.00

MANITOBA COMMUNITY SERVICES COUNCIL INC.
Grant Allocations
Year Ended March 31, 2004

Manitoba Conservatory of Music and Arts Inc.	$16,000.00
Manitoba Drama Educators Association	$ 2,000.00
Manitoba Interfaith Immigration Council, Inc.	$15,000.00
Manitoba Runners Association Inc.	$ 3,000.00
Manitoba Theatre for Young People	$ 3,000.00
Mariapolis Recreation Centre	$12,000.00
Midwest Family Resource Centre	$ 4,000.00
Miriam Centre Inc.	$10,000.00
Movement Centre of Manitoba	$30,000.00
Multiple Sclerosis Society of Canada, Manitoba Division	$10,000.00
Neepawa & District Fine Arts Festival	$ 2,000.00
Nellie McClung Collegiate School Advisory Council	$ 3,000.00
Norshel Centre, Inc.	$ 1,500.00
North American Game Warden Museum	$ 4,000.00
North End Women's Centre	$ 3,000.00
North Whiteshell Trail Association	$ 3,000.00
Northwest Handi Transit Committee	$15,000.00
Notre Dame Handivan	$ 7,000.00
Notre Dame Recreation Committee	$ 4,000.00
Oak Lake Advisory Council for School Leadership	$10,000.00
Oakburn Community Hall	$ 1,500.00
Oaklake and District Museum Inc.	$ 6,000.00
Oakville Skating Rink	$14,000.00
Pelican Yacht Club	$26,000.00
Pembina Threshermen's Museum Inc.	$ 1,000.00
Pembina Wellness Complex Inc.	$20,000.00
Phoenix Recreation Association	$15,000.00
Pierson Community Hall	$ 6,000.00
Piney Community Centre Inc.	$ 2,000.00
Play Penn Co-op Inc.	$10,000.00
Portage & District Arts Council	$ 7,000.00
Portage La Prairie City Library	$12,000.00
Pre-Maternelle De St. Claude Inc.	$ 6,000.00
Prendergast Centre Association	$ 4,000.00
Prime Meridian Trail Association Inc.	$ 6,000.00
	$294,000.00

MANITOBA COMMUNITY SERVICES COUNCIL INC. (Page 5 of 6)

Grant Allocations

Year ended March 31, 2004

Prince of Peace Senior Social Centre	$ 3,000.00
Project Neecheewam, Inc.	$20,000.00
Red River Exhibition Association	$20,000.00
Regional Occupational Service Enterprises Inc.	$18,000.00
Reston Community Rink	$ 6,000.00
Reynolds Community Club	$ 7,000.00
RHS Day Care Inc.	$ 2,500.00
Riverton & District Friendship Centre Inc.	$ 7,000.00
Roland Rink & Park Centennial Committee	$17,000.00
Rossman Lake Golf & Country Club	$ 6,000.00
Royal Canadian Legion Hall #79 – Oak Lake	$ 4,000.00
Royal Canadian Legion/Ladies Auxiliary Hall, #173 (McCreary)	$15,000.00
Russell & District Recreation Commission	$13,000.00
Sandhill Golf and Country Club Inc.	$ 4,000.00
Scleroderma Association of Manitoba	$ 2,000.00
Selkirk Nursery School	$ 200.00
Seniors Services of Roblin/Cartwright	$14,000.00
Sigurbjorg Stefansson School Advisory Council	$ 5,000.00
Silver Bay Bible Camp	$ 6,000.00
Sinclair Rink	$ 3,100.00
Sister MacNamara Community School Association	$ 8,000.00
Skownan First Nation Vision Seekers Task Force	$35,000.00
Somerset Rendez-Vous	$ 2,500.00
Souris & Glenwood Memorial Complex	$15,000.00
Souris Hillcrest Community Cooperative Inc.	$ 1,000.00
South Interlake Golf and Country Club	$20,000.00
Spina Bifida & Hydrocephalus Association of Canada	$ 5,000.00
Sprague Chamber of Commerce Inc.	$ 2,000.00
St. Malo Minor Baseball	$ 6,000.00
St. Matthew's/Maryland Community Ministry	$25,000.00
St. Norbert Children's Centre – Family Resource Centre	$ 1,000.00
Starbuck Recreation Association Inc.	$14,000.00
Ste. Agathe Centennial Arena	$15,000.00
Ste. Agathe Community Development Inc.	$ 7,000.00
Ste. Anne Sports Complex/Complexe Sportif De Ste. Anne	$13,000.00
	$342,300.00

MANITOBA COMMUNITY SERVICES COUNCIL INC.
Grant Allocations
Year ended March 31, 2004

Ste. Rose School Parent Committee	$15,000.00
Steinbach Kinsmen Day Nursery Inc.	$ 2,000.00
Storyline FX Inc.	$ 2,000.00
Strathclair Museum Association	$ 8,000.00
Swan Lake Community Centre, Inc.	$ 5,000.00
Swan River Golf and Country Club Inc.	$15,000.00
Swan Valley Historical Museum Inc.	$ 2,432.00
Tamarack Rehab Inc.	$ 3,500.00
Taras (Taras Vision Inc.)	$ 5,000.00
Teen Touch	$25,000.00
The Children's Place Cooperative	$ 2,100.00
The Counselling Centre for Hope, Healing and Encouragement	$20,000.00
The Gathering of Nations Inc.	$ 800.00
The Pas Handivan Inc.	$ 5,000.00
Think First (Manitoba)	$ 1,200.00
Thompson Boys and Girls Club	$20,500.00
Thompson Neighbourhood Renewal Corporation	$15,000.00
Tiny Turtle Playroom Inc.	$10,000.00
Tolstoi & District Seniors	$ 5,000.00
Transcona Literacy Centre	$ 2,500.00
Turtle Mountain Metis Inc.	$ 8,000.00
Ukrainian Orthodox Summer Camp "Veselka"	$ 6,000.00
Universal Day Care	$ 5,000.00
Victor Mager Job Re-Entry Program & Adult Literacy	$10,000.00
Virden Pioneer Home Museum	$ 3,000.00
Vita Friendship Centre Inc.	$ 2,000.00
Warren Minor Baseball	$ 5,000.00
West Broadway Youth Outreach Inc.	$ 5,000.00
Westman Riding for the Disabled, Inc.	$ 1,000.00
White Plain Recreation District	$ 2,000.00
Whitemouth School Parent Advisory Council	$ 1,000.00
Winnipeg Boys Choir	$ 2,000.00
Winnipeg Celtic Pipe Band Inc.	$ 5,000.00
Winnipeg International Children's Festival	$ 4,000.00
Youth for Christ – Portage La Prairie	$15,000.00
	$239,032.00
TOTAL 2004	**$1,712,144.00**

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Manitoba Crop Insurance Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report which it has prepared.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgements have been made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included herein. The Auditor General has access to the Board of Directors, with or without Management present, to discuss the results of their audit and the quality of financial reporting of the Corporation.

Hamilton

NEIL HAMILTON
GENERAL MANAGER

Jim Lewis

JIM LEWIS
DIRECTOR, FINANCE & ADMINISTRATION

June 14, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Crop Insurance Corporation

We have audited the balance sheet of the Manitoba Crop Insurance Corporation as at March 31, 2004, the statement of operations and funds retained for the Production Insurance program, the statement of operations and funds retained for the Hail Insurance program, the statement of cash flows and the statements of revenue and expenditure for the other agriculture related programs administered by the Corporation on behalf of the Government of the Province of Manitoba, being statements 1-3. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows, and the revenue and expenditure transactions of the programs administered by the Corporation on behalf of the Government of the Province of Manitoba, for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

OFFICE OF THE AUDITOR GENERAL

Winnipeg, Manitoba
June 14, 2004

BALANCE SHEET

AS AT MARCH 31, 2004

	Production Insurance Program	Hail Insurance Program	Other Programs (Note 4)	2004 Total	2003 Total
Assets					
Cash	$ 767,582	–	–	$ 767,582	$ 284,860
Short-term investments (Note 3(B))	274,130,151	14,318,124	2,595,724	291,043,999	296,479,311
Accounts receivable (Note 5)	7,368,673	739,104	147,979	8,255,756	7,055,509
Prepaid expenses	134,927	–	–	134,927	105,615
Interprogram receivable	–	1,891	228,481	230,372	397,699
	282,401,333	15,059,119	2,972,184	300,432,636	304,322,994
Long-term investments (Note 3(B))	50,000,000	5,000,000	–	55,000,000	–
Property and equipment (Note 6)	524,061	–	–	524,061	682,641
	$ 332,925,394	20,059,119	2,972,184	$ 355,956,697	$ 305,005,635
Liabilities and Funds Retained					
Reinsurance premiums payable	$ 4,303,822	226,298	–	$ 4,530,120	$ 4,723,276
Indemnities payable (Note 7)	4,398,226	5,350	2,413,747	6,817,323	6,140,063
Accounts payable and accrued liabilities	3,129,114	–	533,387	3,662,501	2,501,094
Interprogram payable	230,372	–	–	230,372	397,699
Excess of revenue over expenditure (Statement 3)	–	–	25,050	25,050	28,426
	12,061,534	231,648	2,972,184	15,265,366	13,790,558
Deferred revenue (Note 8)	524,061	–	–	524,061	682,641
Funds retained	320,339,799	19,827,471	–	340,167,270	290,532,436
	$ 332,925,394	20,059,119	2,972,184	$ 355,956,697	$ 305,005,635

APPROVED BY THE BOARD:

Walter w Kolinyk

CHAIRPERSON

Hazel Arndt.

VICE-CHAIRPERSON

PRODUCTION INSURANCE PROGRAM

STATEMENT OF OPERATIONS AND FUNDS RETAINED

FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
Revenue:		
Premiums (Note 3(F))		
Insured producers	$ 33,187,575	$ 26,055,997
Government of Canada	47,555,188	35,676,195
Province of Manitoba	31,703,180	27,989,945
	112,445,943	89,722,137
Less premiums ceded (Note 9)		
Reinsurance Fund of Canada	1,220,989	448,611
Reinsurance Fund of Manitoba	562,230	448,611
Excess of loss reinsurance	15,513,013	14,009,824
	17,296,232	14,907,046
Net premiums	95,149,711	74,815,091
Interest	9,323,258	8,380,255
Total revenue	104,472,969	83,195,346
Expenditure:		
Indemnities	57,067,686	75,961,304
Doubtful accounts	16,759	60,940
Administrative expenses - Schedule 1	9,432,868	10,016,194
Administrative expenses recovered from		
Government of Canada (Note 3(G))	(4,226,502)	(3,842,641)
Province of Manitoba (Note 3(G))	(2,860,590)	(3,847,811)
Insured producers (Note 3(G))	(2,345,776)	(2,325,742)
Net expenditure	57,084,445	76,022,244
Income for the year	47,388,524	7,173,102
Funds retained, beginning of year	272,951,275	265,778,173
Funds retained, end of year	$ 320,339,799	$ 272,951,275

HAIL INSURANCE PROGRAM

STATEMENT OF OPERATIONS AND FUNDS RETAINED

FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
Revenue:		
Premiums, net of discounts	$ 11,230,777	$ 9,686,869
Less premiums ceded for reinsurance (Note 10)	1,020,262	874,686
Net premiums	10,210,515	8,812,183
Interest and surcharges	656,227	624,800
Total revenue	10,866,742	9,436,983
Expenditure:		
Indemnities	6,893,917	10,567,991
Administrative expenses – Schedule 1	1,693,091	1,701,350
Doubtful accounts (recoveries)	33,424	(12,322)
Total expenditure	8,620,432	12,257,019
Income (loss) for the year	2,246,310	(2,820,036)
Funds retained, beginning of year	17,581,161	20,401,197
Funds retained, end of year	$ 19,827,471	$ 17,581,161

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2004

	Production Insurance Program	Hail Insurance Program	2004 Total	2003 Total
Cash provided by (used for)				
Operating activities:				
Income (loss) for the year				
Income (loss) before interest revenue	$ 38,065,266	1,590,083	**$ 39,655,349**	**$ (4,651,989)**
Interest revenue	9,323,258	656,227	**9,979,485**	**9,005,055**
	47,388,524	2,246,310	**49,634,834**	**4,353,066**
Items not involving cash				
Changes in allowance for doubtful accounts	(42,519)	27,694	**(14,825)**	**(39,376)**
Amortization of property and equipment	267,894	–	**267,894**	**335,751**
Changes in:				
Accounts receivable	(1,484,819)	(339,464)	**(1,824,283)**	**409,239**
Interest receivable	541,916	137,163	**679,079**	**(593,771)**
Prepaid expenses	(29,312)	–	**(29,312)**	**2,287**
Interprogram receivable/payable	(167,327)	5,203	**(162,124)**	**(3,096,470)**
Reinsurance premiums payable	(173,000)	(20,156)	**(193,156)**	**3,548,004**
Indemnities payable	(1,427,916)	(29,717)	**(1,457,633)**	**3,339,928**
Accounts payable and accrued liabilities	819,106	–	**819,106**	**112,561**
Cash provided by operating activities	45,692,547	2,027,033	**47,719,580**	**8,371,219**
Investing activities:				
Sale (purchase) of short-term investments	47,010,449	2,972,967	**49,983,416**	**(45,180,066)**
Purchase of long-term investments	(50,000,000)	(5,000,000)	**(55,000,000)**	–
Purchase of property and equipment	(109,314)	–	**(109,314)**	**(67,535)**
Cash used for investing activities	(3,098,865)	(2,027,033)	**(5,125,898)**	**(45,247,601)**
Financing activities:				
Deferred revenue	(158,580)	–	**(158,580)**	**(268,217)**
Cash used for financing activities	(158,580)	–	**(158,580)**	**(268,217)**
Net increase (decrease) in cash and short-term investments	42,435,102	–	**42,435,102**	**(37,144,599)**
Cash and cash equivalents, beginning of year	5,107,895	–	**5,107,895**	**42,252,494**
Cash and cash equivalents, end of year	$ 47,542,997	–	**$ 47,542,997**	**$ 5,107,895**
Cash and cash equivalents comprised of the following:				
Short-term investments	$ 274,130,151	14,318,124	**$ 288,448,275**	**$ 296,479,311**
Short-term investments with terms greater than 90 days	227,354,736	14,318,124	**241,672,860**	**291,656,276**
Short-term investments with terms of 90 days or less	46,775,415	–	**46,775,415**	**4,823,035**
Cash	767,582	–	**767,582**	**284,860**
	$ 47,542,997	–	**$ 47,542,997**	**$ 5,107,895**

SCHEDULE 1

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
Adjusters' wages, benefits and expenses	$ 3,106,329	$ 3,582,883
Advertising	152,179	101,540
Amortization expense	267,894	335,751
Appeal Tribunal	14,386	15,801
Audit fees and legal	169,850	161,613
Directors' remuneration and expenses	60,181	65,261
Furniture and equipment	35,043	42,859
Information technology	508,552	428,365
Office rental and utilities	612,106	591,933
Other administrative expenses	183,503	276,161
Other administrative recoveries	(217,296)	(174,177)
Postage	98,255	113,878
Printing, stationery and office supplies	155,113	168,607
Salaries and employee benefits	5,586,426	5,557,427
Telephone	122,149	133,282
Travel and automobile expenses	271,289	319,111
Total administrative expenses	$ 11,125,959	$ 11,720,295
Administrative expenses allocated to:		
Production Insurance Program	$ 9,432,868	$ 10,016,194
Gross Revenue Insurance Plan	–	2,751
Hail Insurance Program	1,693,091	1,701,350
Total administrative expenses	$ 11,125,959	$ 11,720,295

Statement 2

BSE (BOVINE SPONGIFORM ENCEPHALOPATHY) RELATED PROGRAMS (NOTE 4(B))

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED MARCH 31, 2004

	2004
Revenue:	
Recovery of expenditures	
Government of Canada	$ 12,104,990
Province of Manitoba	33,401,274
Total recovery	45,506,264
Interest	69,390
Total revenue	$ 45,575,654
Expenditure:	
Program payments:	
Canada-Manitoba BSE Recovery Program	$ 20,074,312
Manitoba BSE Feeder Assistance Program	6,271,525
Manitoba Slaughter Deficiency Program	9,407,977
Manitoba Drought Assistance Program	4,074,547
Manitoba Cull Animal Program	4,825,838
Manitoba Spring Dead Stock Removal Program	400,000
	45,054,199
Doubtful accounts	339
Administrative expenses	521,116
Total expenditure	$ 45,575,654

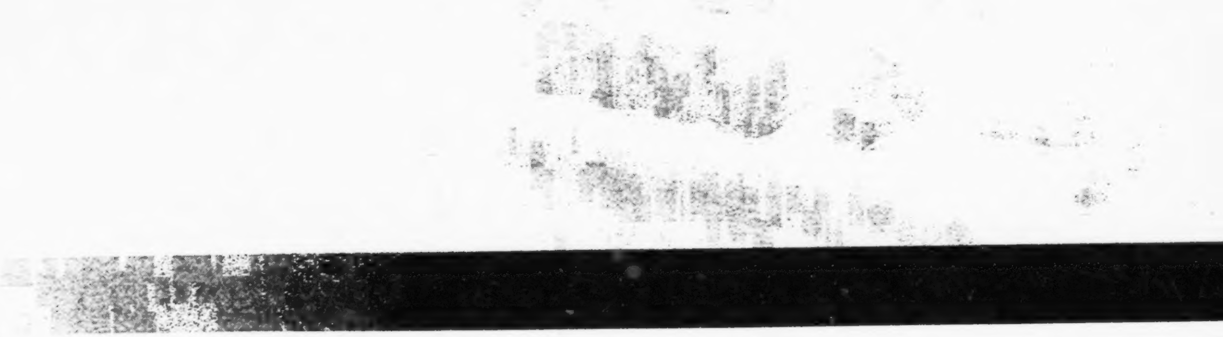
Statement 3

DISCONTINUED PROGRAMS (NOTE 4(C))

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
Revenue:		
Recovery (repayment) of expenditures		
Government of Canada	$ –	$ 1,375
Province of Manitoba	–	(19,016)
Total repayment	–	(17,641)
Interest	487	2,967
Total revenue (repayment)	487	(14,674)
Expenditure:		
Doubtful accounts recoveries	(6,039)	(24,499)
Administrative expenses	–	(87)
Refund (recovery) of excess interest to (from) contributors	4,263	(1,081)
Total recoveries	(1,776)	(25,667)
Excess of revenue over expenditure	2,263	10,993
Excess of revenue over expenditure, beginning of year	28,426	3,033,031
Refunds to participants, during the year	(5,639)	(3,015,598)
Excess of revenue over expenditure, end of year	$ 25,050	$ 28,426



NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004

1. AUTHORITY

The Manitoba Crop Insurance Corporation was incorporated under a specific Statute of the Province of Manitoba, and operates under the authority of The Crop Insurance Act, Chapter C310 in the Continuing Consolidation of the Statutes of Manitoba.

2. BASIS OF REPORTING

The financial statements of the Corporation are in such form as prescribed by Section 13 of The Crop Insurance Act, and are presented in accordance with Canadian generally accepted accounting principles.

3. SIGNIFICANT ACCOUNTING POLICIES

(A) Programs

Under the provisions of its Act and regulations, the Corporation operates production and hail insurance programs for Manitoba farmers.

The Corporation is also responsible for the administration of various agriculture related programs, including the Wildlife Damage Compensation Program and the BSE programs, on behalf of the Government of Canada and the Province of Manitoba.

For financial accounting purposes, all programs are regarded as separate operations and are accounted for separately.

(B) Short-Term and Long-Term Investments

Short-term and long-term investments are carried at cost, which approximates market value. Funds available for short-term and long-term investment are invested with the Province of Manitoba, in accordance with Section 20(8) of The Crop Insurance Act.

(C) Property and Equipment and Amortization

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized on a straight-line basis over their estimated useful lives, as follows:

Furniture and Equipment	10 years
Computer Hardware	4 years
Computer Software	4 years
Major Application Development	8 years
Leasehold Improvements	Remaining term of the lease

(D) Pensions

Effective April 1, 1998, the Corporation began matching employees' current pension contributions to the Civil Service Superannuation Plan. As a matching employer, the Corporation discharges its pension liability on a current basis and, therefore, has no additional pension obligation.

(E) Vacation and Severance Pay

Employees of the Corporation are entitled to vacation and severance pay in accordance with the terms of the Collective Agreements and Corporation policy. The liability for vacation and severance pay is recorded based on the Corporation's best estimates.

(F) Premiums and Government Contributions

The Corporation recognizes as revenue all premiums earned on policies in force during the year. The insurance premium rates are calculated annually by crop and rating area and are based on a 25-year average of historical loss experience adjusted for the program's current level of benefits. Premium rates are adjusted annually to maintain adequate reserves over time. This is done to ensure the financial self-sustainability of the program.

NOTES TO FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Canada-Manitoba Production Insurance Agreement, which is Annex B to the Canada-Manitoba Implementation Agreement, provides for the cost sharing of the premiums under the Production Insurance Program. The premiums for coverage of 50% of an insured producer's probable yields are shared between the Government of Canada (60%) and the Province of Manitoba (40%). Premiums for coverage above the 50% level are shared between the insured producers (50%), the Government of Canada (30%) and the Province of Manitoba (20%). For the previous fiscal year, premiums for coverage above the 50% level were shared between the insured producers (50%), the Government of Canada (25%) and the Province of Manitoba (25%).

(G) Administrative Expenses

The agreement relating to the Production Insurance Program, referred to in Section (F) of this note, stipulates that administrative expenses, net of any administrative revenues, will be shared by the Government of Canada (60%) and the Province of Manitoba (40%). For the previous fiscal year, administrative expenses, net of any administrative revenues, were shared equally by the Government of Canada and the Province of Manitoba. Administrative revenues include the per acre administrative fee shown as a recovery from insured producers. All administrative expenses relating to the Hail Insurance Program are recovered from the insured producers.

Identifiable administrative expenses for all of the programs administered by the Corporation are charged directly to the specific program. Where the direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by the Corporation's Board of Directors.

(H) Use of Estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(I) Financial Instruments

The Corporation's financial instruments consist of cash, accounts receivable, investments and accounts payable. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

4. OTHER PROGRAMS

(A) Statement 1

Wildlife Damage Compensation Program

The Corporation administers the Wildlife Damage Compensation Program that was established to compensate producers for 100% of damage to agricultural crops and products caused by waterfowl or wildlife (big game animals) and the death or injury to domestic livestock caused by natural predators. The first 80% of compensation and all administrative expenses are shared by the Government of Canada (60%) and the Province of Manitoba (40%). The remaining 20% of compensation is paid by the Province of Manitoba. For the previous fiscal year, the first 80% of compensation and all administrative expenses were shared equally by the Government of Canada and the Province of Manitoba, with the remaining 20% of compensation paid by the Province of Manitoba.

(B) Statement 2

BSE (Bovine Spongiform Encephalopathy) Related Programs:

Canada-Manitoba BSE Recovery Program

In July 2003, the Corporation assumed responsibility for the administration of the Canada-Manitoba BSE Recovery Program. The purpose of the program was to provide financial assistance to the Canadian beef industry and to producers of other

4. OTHER PROGRAMS (cont'd)

ruminants who were affected by the closure of the U.S. border due to BSE. The program included two components: a "slaughter component" consisting of payments to producers for cattle and other ruminants sold for slaughter; and an "inventory and pricing incentive component" consisting of payments to packers to assist them in marketing the slowest selling products in inventory and in offering higher prices for the livestock that they purchased. The program paid out approximately $20.1 million in compensation, which was cost shared by the Government of Canada (60%) and the Province of Manitoba (40%).

Manitoba BSE Feeder Assistance Program

In August 2003, the Corporation assumed responsibility for the administration of the Manitoba BSE Feeder Assistance Program. Due to the closure of the U.S. border to live cattle and other ruminants and their related meat products, Manitoba producers' access to slaughter capacity was severely restricted. The purpose of the program was to provide feeding assistance payments on cattle and other ruminant animals that were intended for slaughter and were on feed in Manitoba. The Province of Manitoba provided just under $6.3 million of compensation through this program.

Manitoba Slaughter Deficiency Program

In September 2003, the Corporation assumed responsibility for the administration of the Manitoba Slaughter Deficiency Program. The objective of the program was to provide compensation to Manitoba livestock producers for slaughter price declines resulting from the U.S. border closure due to BSE. The Province of Manitoba provided just over $9.4 million in compensation through this program.

Manitoba Drought Assistance Program

In September 2003, the Corporation assumed responsibility for the administration of the Manitoba Drought Assistance Program. The purpose of the program was to provide transportation assistance to Manitoba livestock producers who were short of hay and straw due to drought conditions, and who were also being affected by the BSE situation. The Province of Manitoba provided approximately $4.1 million in compensation through this program.

Manitoba Cull Animal Program

In December 2003, the Corporation assumed responsibility for the administration of the Manitoba Cull Animal Program. The program provided assistance to Manitoba producers who own breeding herds that are normally culled and were affected by the closure of the U.S. border due to BSE. The Province of Manitoba provided over $ 4.8 million in compensation through this program.

Manitoba Spring Dead Stock Removal Program

In March 2004, the Corporation assumed responsibility for compensating a private provider for the farm pick-up of dead cattle. The purpose of the program was to assist producers with disposal of cattle mortalities, which prior to the BSE situation were picked up at no cost. Program funding of $0.4 million was provided by the Province of Manitoba.

(C) Statement 3

Discontinued Programs

Discontinued Programs provides a summary of transactions, such as interest and bad debt recoveries, relating to programs which are no longer active.

Non-active programs include the Revenue Protection component of the Gross Revenue Insurance Plan (GRIP), the Manitoba Farm Disaster Assistance Program (MFDAP), the Canada-Manitoba Adjustment Program (CMAP) and the Canada-Manitoba Adjustment Program 2 (CMAP 2).

The excess of revenue over expenditure of $25,050 (2003 - $28,426) is related to the Gross Revenue Insurance Plan and represents the remaining producers' share of this program. This amount is currently being held pending a decision on its distribution for the benefit of Manitoba's producers.

NOTES TO FINANCIAL STATEMENTS

5. ACCOUNTS RECEIVABLE

The accounts receivable as of March 31, 2004 consist of the following:

	March 31, 2004				March 31, 2003
	Production Insurance Program	**Hail Insurance Program**	**Other Programs**	**Total**	**Total**
Insured Producers	$ 981,920	568,528	3,128	$ 1,553,576	$ 878,394
Government of Canada	1,748,506	–	140,319	1,888,825	972,963
Province of Manitoba	1,351,168	–	–	1,351,168	1,037,472
Accrued Interest	2,931,266	170,576	4,532	3,106,374	3,809,724
Other	355,813	–	–	355,813	356,956
	$ 7,368,673	739,104	147,979	$ 8,255,756	$ 7,055,509

6. PROPERTY AND EQUIPMENT

	March 31, 2004			March 31, 2003
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Furniture and Equipment	$ 314,502	131,235	$ 183,267	$ 164,639
Computer Hardware	402,323	308,303	94,020	102,057
Computer Software	92,477	64,994	27,483	10,110
Major Application Development	2,907,418	2,756,936	150,482	312,947
Leasehold Improvements	297,560	228,751	68,809	92,888
	$ 4,014,280	3,490,219	$ 524,061	$ 682,641

7. INDEMNITIES PAYABLE

Indemnities payable for the Production Insurance Program of $4,398,226 (2003 - $5,826,142) provide for indemnity payments relating to the 2003 crop year. This amount includes an estimate of $3,150,000 (2003 - $3,445,000), which represents the liability for unpaid claims and the loss of crop value due to the over-winter deterioration of unharvested crops.

Indemnities payable for Other Programs of $2,413,747 (2003 - $278,854) include a provision of $2,159,263 (2003 - $nil) for outstanding BSE program claims and a provision of $254,483 (2003 - $208,600) for the Wildlife Damage Compensation Program.

8. DEFERRED REVENUE

Deferred revenue represents administrative subsidies provided by the Government of Canada (60%) and the Province of Manitoba (40%) and is used to acquire property and equipment. For the previous fiscal year, these administrative subsidies were provided equally by the Government of Canada and the Province of Manitoba. Deferred revenue is recognized as revenue when amortization is recorded on property and equipment.

9. REINSURANCE – PRODUCTION INSURANCE PROGRAM

In accordance with the terms of the reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. The Corporation pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba, and to the Crop Reinsurance Fund of Manitoba, based on premiums collected, and

9. REINSURANCE – PRODUCTION INSURANCE PROGRAM (cont'd)

the cumulative financial balance of the program. When indemnities paid to insured producers exceed the funds retained by the Corporation including any private sector reinsurance recoveries, transfers are made from the Crop Reinsurance Fund accounts to the Corporation. Interest is neither credited nor charged to the respective reinsurance accounts by the Government of Canada or the Province of Manitoba.

Under the conditions of the federal-provincial reinsurance agreement, an additional reinsurance premium of $658,759 was made by the Corporation to the Reinsurance Fund of Canada for Manitoba to bring the balance at March 31, 2004 to zero.

	Reinsurance Fund of Canada for Manitoba		Reinsurance Fund of Manitoba	
	2004	**2003**	**2004**	**2003**
Opening surplus (deficit)	**$ (1,223,214)**	$ (1,672,811)	**$ 21,454,729**	$ 21,005,132
Current year premium contributions (net) *	**1,223,214**	449,597	**564,455**	449,597
Closing surplus (deficit)	**$ –**	$ (1,223,214)	**$ 22,019,184**	$ 21,454,729

* *Current year reinsurance premium contributions are shown net of an allowance for uncollectible accounts.*

The Corporation entered into a one-year private sector reinsurance agreement for the Production Insurance Program in addition to what is covered by the reinsurance agreement between the Government of Canada and Province of Manitoba. This agreement provided for 28 reinsuring companies to assume 90% of losses (including deemed loss adjustment expenses) from 15% to 25% of the Production Insurance coverage. Reinsurance premiums were $15,513,013 (2003 - $14,009,824). There were no reinsurance recoveries in 2004 (2003 - $nil).

10. REINSURANCE – HAIL INSURANCE PROGRAM

The Corporation entered into a one-year reinsurance agreement for the Hail Insurance Program. This agreement provided for 15 reinsuring companies to assume hail insurance losses (including loss adjustment expenses) from 125% to 200% of gross premium. Reinsurance premiums were $1,020,262 (2003 - $874,686). There were no reinsurance recoveries in 2004 (2003 - $nil).

11. LEASE AGREEMENTS

The Corporation has entered into long-term lease agreements. The minimum payments under these leases are as follows:

Year Ending March 31 st	**Lease Agreements Amounts**
2005	$ 559,009
2006	492,595
2007	402,304
2008	176,073
2009	3,408
	1,633,389
2010 and beyond	3,124
	$ 1,636,513

12. CONTINGENCIES

Various legal actions for additional indemnity payments have been commenced by insured producers against the Corporation. The outcome of these claims cannot be determined at this time.

NOTES TO FINANCIAL STATEMENTS

13. ACTUARIAL REVIEW

An actuarial certification of the Production Insurance Program was completed by Tillinghast - Towers Perrin, consulting actuaries, in June 2003. The actuarial reports conclude that: the methodologies used by the Corporation in establishing the probable yields of the crops insured under the program meet the requirements of the federal Crop Insurance Regulation; the premium rate methodologies used by the Corporation are actuarially sound and are sufficient to meet expected claim costs; and the program meets the self-sustaining criteria defined by the federal government.

An actuarial certification is completed every five years with any new programs or program changes being reviewed annually.

14. RELATED–PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Province of Manitoba-created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

Interest earned on investments held by the Province of Manitoba amounted to $9.9 million (2003 - $8.9 million). Included in accounts receivable (Note 5) is $3.1 million (2003 - $3.8 million) of accrued interest related to investments held by the Province of Manitoba.

15. SUBSEQUENT EVENTS

In April 2004, the Corporation assumed responsibility for the administration of the Canada Cull Animal Program in Manitoba on behalf of the Government of Canada.

The purpose of the program is to provide assistance to Manitoba producers who own breeding herds and are affected by the closure of the U.S. border due to BSE. The first payments for this program were made in late April 2004. The Government of Canada is expected to provide about $10.5 million in compensation through this program.

16. PROGRAM NAME CHANGE

Commencing with the 2003 crop year, the Crop Insurance Program's name was changed to the Production Insurance Program in accordance with the Canada-Manitoba Production Insurance Agreement.

17. COMPARATIVE FIGURES

Certain 2003 comparative figures in the financial statements have been reclassified to conform with the current year's presentation.

SCHEDULE 1

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
Adjusters' wages, benefits and expenses	$ 3,106,329	$ 3,582,883
Advertising	152,179	101,540
Amortization expense	267,894	335,751
Appeal Tribunal	14,386	15,801
Audit fees and legal	169,850	161,613
Directors' remuneration and expenses	60,181	65,261
Furniture and equipment	35,043	42,859
Information technology	508,552	428,365
Office rental and utilities	612,106	591,933
Other administrative expenses	183,503	276,161
Other administrative recoveries	(217,296)	(174,177)
Postage	98,255	113,878
Printing, stationery and office supplies	155,113	168,607
Salaries and employee benefits	5,586,426	5,557,427
Telephone	122,149	133,282
Travel and automobile expenses	271,289	319,111
Total administrative expenses	$ 11,125,959	$ 11,720,295
Administrative expenses allocated to:		
Production Insurance Program	$ 9,432,868	$ 10,016,194
Gross Revenue Insurance Plan	–	2,751
Hail Insurance Program	1,693,091	1,701,350
Total administrative expenses	$ 11,125,959	$ 11,720,295

Manitoba

Manitoba Development Corporation
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Winnipeg Manitoba, CANADA
R3B 3P4

April 30, 2004

THE MANITOBA DEVELOPMENT CORPORATION
MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the generally accepted accounting principles. The statements are examined by BDO Dunwoody LLP, Chartered Accountants, whose opinion is included herein.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions and that appropriate policies and procedures are established and respected.

BDO Dunwoody LLP have free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting to the Board.

James F. Kilgour, C.A.
General Manager

Jack Dalgliesh
Jack Dalgliesh
Secretary-Treasurer

BDO

BDO Dunwoody LLP
Chartered Accountants
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Auditors' Report

To the Shareholder of
Manitoba Development Corporation

We have audited the balance sheet of **Manitoba Development Corporation** as at March 31, 2004 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
April 30, 2004

MANITOBA DEVELOPMENT CORPORATION
Balance Sheet

March 31	2004	2003
Assets		
Current Assets		
Cash	$ 422,808	$ 377,693
Term deposits - Province of Manitoba	3,242,818	3,155,959
Accounts receivable - other	4,567	58,521
	3,670,193	3,592,173
Assets managed for the Province of Manitoba under Part II		
Cash on hand held in trust	105,405	631,683
Loans receivable (Note 2)	74,398,726	64,692,218
Equity investments (Note 3)	6,140,255	5,108,189
	80,644,386	70,432,090
	$ 84,314,579	$ 74,024,263
Liabilities and Shareholder's Equity		
Current Liabilities		
Accounts payable - Part I	$ 309,903	$ 258,555
Funds Provided by the Province of Manitoba under Part II	80,644,386	70,432,090
	80,954,289	70,690,645
Commitments (Note 4)		
Shareholder's Equity		
Share capital - authorized and issued 100 shares at $10 per share	1,000	1,000
Retained earnings	3,359,290	3,332,618
	3,360,290	3,333,618
	$ 84,314,579	$ 74,024,263

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA DEVELOPMENT CORPORATION
Statement of Operations and Retained Earnings

For the year ended March 31	**2004**	**2003**
Income from part I		
Interest	$ 144,446	$ 125,447
Expenses under Part I		
Administration	117,774	49,561
	26,672	75,886
Income from Part II		
Interest - loans receivable	3,970,404	3,668,883
Pro-rata share of partnership earnings	319,575	432,412
Recovery of Part II expenses from the Province of Manitoba		
Decrease in allowance for forgiveness	4,123,888	3,521,436
Decrease in provision in doubtful accounts	5,441,985	6,616,161
Decrease in provision for decline in value of investments	223,149	384,408
	14,079,001	14,623,300
Expenses under Part II		
Increase in allowance for loan forgiveness	4,123,888	3,521,436
Increase in allowance for doubtful accounts	5,441,985	6,616,161
Increase in provision for decline in value of investments	223,149	384,408
Repayment of Part II interest on loans receivable to the Province of Manitoba	3,970,404	3,668,883
Provision for repayment of pro-rata share of partnership earnings	319,575	432,412
	14,079,001	14,623,300
	-	-
Net Income for the year	26,672	75,886
Retained earnings, beginning of year	3,332,618	3,256,732
Retained earnings, end of year	$ 3,359,290	$ 3,332,618

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA DEVELOPMENT CORPORATION
Statement of Cash Flows

For the year ended March 31	2004	2003
Provided by (used in) Part I Activities		
Cash Flows from Operating Activities		
Net income for the year	$ 26,672	$ 75,886
Changes in non-cash working capital balances		
Accounts receivable - other	53,954	(55,922)
Accounts payable	51,348	31,003
Net cash flow from Part I activities	131,974	50,967
Provided by (used in) Part II Activities		
Cash Flows from Investing Activities		
Loans receivable		
Principal repayments	9,657,033	15,588,409
Loans issued	(23,944,208)	(26,594,019)
Increase in accrued interest receivable	(56,377)	(39,548)
Loss on foreign exchange	342,500	-
	(14,001,052)	(11,045,158)
Equity investments		
Investments made	(1,029,552)	(1,644,709)
Redemptions	-	768,413
	(1,029,552)	(876,296)
	(15,030,604)	(11,921,454)
Increase (decrease) in cash on hand held in trust	526,278	445,404
Funds provided by the Province of Manitoba	14,504,326	11,476,050
Net cash flow from Part II activities	-	-
Net increase (decrease) in cash and cash equivalents	131,974	50,967
Cash and cash equivalents, beginning of year	3,533,652	3,482,685
Cash and cash equivalents, end of year	$ 3,665,626	$ 3,533,652
Represented by		
Cash on hand	$ 422,808	$ 377,693
Term deposits - Province of Manitoba	3,242,818	3,155,959
	$ 3,665,626	$ 3,533,652

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA DEVELOPMENT CORPORATION
Summary of Significant Accounting Policies

March 31, 2004

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Loans Receivable Under Part II

Loans are carried at the unpaid principal plus accrued interest, less allowance for doubtful loans. Loans considered uncollectible are written off.

Interest on loans is recorded as income on an accrual basis except for loans considered impaired. When a loan becomes impaired, recognition of interest ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the portfolio. Specific allowances reduce the carrying value of loans identified as impaired to their net realizable amounts. In addition to specific allowances against identified impaired loans, the Corporation maintains a non-specific allowance to cover impairment which is inherent in the loan portfolio which is consistent with industry practice.

Equity Investments Under Part II

The Corporation's equity in investments related to share capital investments are recorded at cost. The Corporation's investments in the Vision Capital Fund, the Manitoba Capital Fund, the Manitoba Science and Technology Fund, the Renaissance Capital Fund and the Western Life Sciences Venture Fund LLP are accounted for using the equity method of accounting. These investments were originally recorded at cost and the carrying value is adjusted thereafter to include the Corporation's pro rata share of post acquisition earnings for these investments. Such adjustments are correspondingly reflected in the balance sheet caption "Funds provided by the Province of Manitoba under Part II."

MANITOBA DEVELOPMENT CORPORATION
Summary of Significant Accounting Policies

March 31, 2004

Financial Instruments

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of the fair value because of the short maturity of those instruments.

The financial risk is the risk to the Corporation's Part I earnings that arise from fluctuations in interest rates and degree of volatility of these rates. Because Part II activities are directed by the Province of Manitoba, any exposure for these financial assets and liabilities to interest rate fluctuations or changes to their fair value would be borne by the Province. Credit risk relating to the realization of assets managed for the Province of Manitoba under Part II is borne by the Province.

All financial instruments are denominated in Canadian dollars.

The Corporation does not participate in derivative financial instrument trading.

Operating Losses

Losses under Part I and under Part II of the Corporation are the responsibility of the Province and are charged directly against advances received from the Province.

Cash

For the purpose of the statement of cash flows, cash includes cash and term deposits with the Province of Manitoba with maturities of up to three months.

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period except for the foreign currency gains and losses on long-term monetary items which are deferred and amortized over the remaining terms of the related items.

MANITOBA DEVELOPMENT CORPORATION
Notes to Financial Statements

March 31, 2004

1. Nature of Operations and Economic Dependence

The Manitoba Development Corporation (The Corporation) provides loans and guarantees under Part I and Part II of the Development Corporation Act. The activities under Part I and Part II are accounted for separately. Part I activities are undertaken at the initiative of the Corporation, while Part II activities are at the direction of the Province of Manitoba.

The Corporation's lending operations under Part I were suspended effective November 15, 1977 except at the direction of the Province of Manitoba. The Corporation's lending and investment operations under Part II continue under the direction of the Province of Manitoba. The Province provides all financing for these initiatives and ultimately bears all costs, including any exposure for these financial assets to interest rate fluctuations, changes to their fair value or credit risk relating to the realization of these assets.

2. Loans Receivable Managed for the Province of Manitoba Under Part II

	2004	2003
Business support		
Manitoba Industrial Opportunities Program		
- Repayable	**$ 89,012,973**	$ 72,015,565
- Forgivable	**4,888,759**	9,012,647
Manufacturing Adaptation Program	**3,510**	4,660
Canada - Manitoba Economic Development Partnership	**446,680**	461,542
	94,351,922	81,494,414
Other loans receivable		
Manitoba Film and Sound	**140,634**	193,595
Elmwood Cemetery	**75,000**	75,000
International Education Incentive Loan	**22,400**	22,400
	238,034	290,995
	94,589,956	81,785,409
Less: Allowance for forgiveness	**4,888,759**	9,012,647
Allowance for doubtful accounts	**15,302,471**	8,080,544
	20,191,230	17,093,191
	$ 74,398,726	$ 64,692,218

2. Loans Receivable Managed for the Province of Manitoba Under Part II (Continued)

The Manitoba Industrial Opportunities Program provides flexible repayable financing to encourage companies to expand or locate in Manitoba. Loan principal is due as follows:

	2004	2003
2005	$ 10,424,061	$ 7,690,155
2006	5,971,057	8,828,413
2007	6,445,819	5,767,681
2008	20,734,330	5,075,133
2009	6,918,787	8,619,866
Subsequent to 2009	38,327,939	35,649,454
Accrued interest	190,980	384,863
	89,012,973	72,015,565
Allowance	(14,852,282)	(8,075,890)
	$ 74,160,691	$ 63,939,675

Interest rates charged for Manitoba Industrial Opportunities loans are fixed in reference to the Corporation's cost of borrowing from the Province of Manitoba at the time of the first disbursement of the loan proceeds to the debtor. In some cases, per the terms of individual loan agreements, interest rates may be adjusted during the term of the loan based on the Corporation's cost of borrowing from the province of Manitoba at a date(s) specified in the loan agreement. In certain cases, the Corporation charges interest rates which are less than its cost of borrowing to encourage investment and job creation in Manitoba. In other cases, the Corporation charges rates in excess of its cost of borrowing to reflect risk conditions. Interest rates charged on loans are as follows:

	2004	2003
Nil	$ 1,704,175	$ 2,908,945
Greater than Nil, less than 5%	24,898,095	7,906,080
5% or greater, less than 6%	20,789,416	21,912,605
6% or greater, less than 7%	31,476,140	7,863,436
7% or greater, less than 8%	7,829,167	29,039,636
8% or greater, less than 9%	2,000,000	2,000,000
9% or greater, less than 10%	125,000	-
Accrued interest	190,980	384,863
	89,012,973	72,015,565
Allowance	(14,852,282)	(8,075,890)
	$ 74,160,691	$ 63,939,675

When possible, the Corporation obtains various forms of security on the Manitoba Industrial Opportunities loans with priority ranking subject to any prior existing charges.

2. Loans Receivable Managed for the Province of Manitoba Under Part II (Continued)

In exchange for contractual obligations which normally commit debtor companies to create and maintain jobs, the Corporation has provided forgivable loans. A portion of these loans is normally forgiven annually subject to the Corporation's confirmation that jobs have been created and maintained. Forgivable loans together with projected timing of forgiveness are as follows:

	2004	2003
Forgivable within 1 year	$ 1,296,843	$ 2,248,888
Forgivable within 2 years	940,140	1,296,843
Forgivable within 3 years	940,140	940,140
Forgivable in more than 3 years	1,711,636	4,526,776
	$ 4,888,759	$ 9,012,647

During the year, an amount of $1,875,000 was transferred from forgivable to repayable loans due to debtor companies not satisfying the contractual obligations required for forgiveness.

The Corporation also manages a number of other loan programs on behalf of the Province of Manitoba.

3. Equity Investments Managed for the Province of Manitoba Under Part II

	2004	2003
Share capital investments		
Class C preferred shares of C.A.R.E. Corp.	$ -	$ 39,570
Faneul ISG Inc.	1	1
	1	39,571
Less: Allowance for forgiveness of shares	1	39,571
	-	-
Limited Partnership Investments		
Vision Capital Fund	1	1
Manitoba Capital Fund	4,363,200	4,363,200
Manitoba Science and Technology Fund	1,611,069	1,375,429
Renaissance Capital Fund	3,000,000	3,000,000
Western Life Sciences Venture Fund LLP	2,050,000	1,350,000
	11,024,270	10,088,630
Less: Provision for decline in value of investments	7,131,962	6,908,813
Pro-rata share of partnership earnings	(2,247,947)	(1,928,372)
	4,884,015	4,980,441
	$ 6,140,255	$ 5,108,189

3. Equity Investments Managed for the Province of Manitoba Under Part II (Continued)

The corporation holds 39,570 Class C non-voting preferred shares of C.A.R.E. Corp. at March 31, 2004. These preferred shares were cancelable on an annual basis at the rate of $10,000 for every job held at C.A.R.E. Corp., commencing February 1999. During the year, the Corporation cancelled the remaining 39,570 of these shares (2003 - 227,800).

On January 17, 2002, Faneuil ISG Inc. was purchased by 3863620 Canada Limited. As a result of this transaction, the Province agreed to convert its existing investment into 11,000,000 preference shares of 3863620 Canada Limited, with scheduled redemption dates as follows:

2005 - $Nil
2006 - $Nil
2007 - $2,000,000
2008 - $2,000,000
2009 - $6,400,000*
* (net of $600,000 in legal fees)

The investment in preference shares has been recorded in the books of the Corporation at a nominal value of $1. Any funds received upon redemption of the preference shares will accordingly result in the recognition of an equal amount of income at that time.

4. Contingent Liability and Commitments

Commitments and undisbursed balances of approved loans under Part II:

	2004	2003
Manitoba Industrial Opportunities Program	**$ 27,257,446**	$ 36,781,073
Canada - Manitoba Economic Development Partnership	**28,320**	38,458
Manitoba Science & Technology Fund	**888,931**	1,124,570
Manitoba Capital Fund	**353,334**	636,800
Western Life Sciences Venture Fund LLP	**2,950,000**	3,650,000
	$ 31,478,031	$ 42,230,901

5. Financial Instruments

The carrying amounts of Part I financial assets and liabilities are a reasonable estimate of the fair value because of the short maturity of those instruments. The carrying amount of Part II financial assets and liabilities approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

The financial risk is the risk to the Corporation's Part I earnings that arise from fluctuations in interest rates and degree of volatility of these rates.

All financial instruments are denominated in Canadian dollars.

The Corporation does not participate in derivative financial instrument trading.

6. Adjustment to Prior Year's Loans Receivable and Equity Investments

During the current year it was determined that, per the terms of the loan agreement, the loan shown as receivable from the Vision Capital Fund as at March 31, 2003 in the amount of $10,803,890 had been repaid in full through a combination of cash payments and investment write-downs during that fiscal year. Accordingly no balance was receivable at March 31, 2003. As a result the comparative figures have been restated to reflect this change, together with a corresponding reduction in the allowance for doubtful accounts, resulting in no net change to the net loans receivable.

Also related to this change, the amount of $161,986, previously reported on the Statement of Operations and Retained Earnings as gain on investment disposition, has been recategorized as Pro-rata share of partnership earnings (increasing this balance from $270,426 to $432,412) to reflect the fact that this payment from Vision Capital Fund as being on account of the Corporation's equity position in the Fund and not related to settlement of the loan receivable. This change also increases the cumulative Pro-rata share of partnership earnings reflected as part of Equity Investments Managed for the Province of Manitoba Under Part II, with a corresponding increase from $4,946,202 to $5,108,188. All these changes are offset by corresponding changes to the Province of Manitoba accounts, consistent with the treatment of all transactions under Part II, resulting in no change to the Corporation's Retained Earnings.

Auditors' Report

To the Board of Directors
Manitoba Film and Sound Recording Development Corporation

We have audited the balance sheet of Manitoba Film and Sound Recording Development Corporation as at March 31, 2004 and the statements of revenues and expenses and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Chartered Accountants

Winnipeg, Manitoba
April 30, 2004

Manitoba Film and Sound Recording Development Corporation

Balance Sheet

As at March 31, 2004

	2004	2003
Assets		
Current		
Cash (*Note 3*)	$ 1,299,178	$ 814,695
Notes receivable (*Note 4*)	140,636	193,595
Funding receivable	-	300,000
Accounts receivable and accrued interest	30,406	14,436
Prepaid expenses	16,961	14,644
Inventory	3,230	3,200
	1,490,411	1,340,570
Capital assets (*Note 5*)	67,405	79,658
	$ 1,557,816	$ 1,420,228
Liabilities		
Current		
Accounts payable	$ 74,952	$ 53,053
Deferred revenue (*Note 6*)	572,558	551,132
Carry-over commitments (*Note 7*)	585,127	486,683
Term loans payable (*Note 8*)	140,636	193,595
	1,373,273	1,284,463
Net assets (*Note 9*)		
Net assets invested in capital assets	67,405	79,658
Net assets unrestricted	117,138	56,107
	184,543	135,765
	$ 1,557,816	$ 1,420,228

The accompanying notes are an integral part of these financial statements

Manitoba Film and Sound Recording Development Corporation

Statement of Revenues and Expenses and Net Assets

For the year ended March 31, 2004

	2004	2003
Revenues		
Province of Manitoba funding	$ 3,362,474	$ 2,352,626
Interest income	21,160	29,766
Program recoupments	100,377	185,282
Total revenues	3,484,011	2,567,674
Expenses		
Film and Television Programs Funding		
Film Development Financing Program	116,754	85,700
Film Production Financing Program	1,573,900	1,254,600
Production Support Program	52,050	-
Access to Markets Program	27,000	17,500
Access to Festivals Program	5,000	4,310
Low Budget Feature Film Development Financing Program	-	42,200
Emerging Talent Matching Funds Program	-	18,000
Interest expense	7,127	12,387
	1,781,831	1,434,697
Sound Programs Funding		
Sound Recording Production Fund	195,550	104,906
Demo Recording Fund	49,828	25,287
Music Video Fund	30,000	12,500
Record Product Marketing Support Program	47,160	22,500
Recording Artist Touring Support Program	76,078	42,312
Professional Development Program	-	(628)
Tour Manitoba Program	-	(5,000)
Sound Portfolio Investment Envelope Program	150,000	-
Market Access Program	30,000	30,000
	578,616	231,877
Interactive New Media Funding		
Development	60,000	-
Access to Markets Program	10,117	-
	70,117	-

The accompanying notes are an integral part of these financial statements

Manitoba Film and Sound
Recording Development Corporation
Statement of Revenues and Expenses and Net Assets
For the year ended March 31, 2004

	2004	2003
Industry Support		
Film		
Industry Associations	51,000	43,200
Sponsorships	61,105	53,250
Interactive Media		
Industry Associations	3,000	-
Sponsorships	5,750	6,000
Sound Recording		
Sponsorships	9,500	14,500
	130,355	116,950
Film Commission/Locations Services	208,304	149,799
Programs delivery (*Note 11*)		
Salaries	312,404	268,994
Marketing/Operating	156,368	147,965
	468,772	416,959
Administrative expenses		
Salaries	85,270	138,827
Marketing/Operating	111,968	111,791
	197,238	250,618
Total expenses	3,435,233	2,600,900
Excess (deficiency) of revenues over expenses	48,778	(33,226)
Net assets, beginning of year	135,765	168,991
Net assets, end of year	$ 184,543	$ 135,765

The accompanying notes are an integral part of these financial statements

Manitoba Film and Sound Recording Development Corporation
Statement of Cash Flows
For the year ended March 31, 2004

	2004	2003
Cash provided by (used for) the following activities:		
Operating activities		
Excess (deficiency) of revenues over expenses	$ 48,778	$ (33,226)
Amortization	21,729	26,571
Carry-over commitments	98,444	(835,221)
Funding receivable	300,000	800,000
Deferred revenue	21,427	31,274
Accounts receivable and accrued interest	(15,970)	7,938
Prepaid expenses	(2,317)	1,849
Inventory	(30)	7,176
Accounts payable	21,898	(12,675)
	493,959	(6,314)
Investing activities		
Additions to capital assets	(9,476)	(21,676)
Repayment of notes receivable	52,959	111,673
	43,483	89,997
Financing activities		
Repayment of term loans	(52,959)	(99,511)
	(52,959)	(99,511)
Increase (decrease) in cash resources	484,483	(15,828)
Cash resources, beginning of year	814,695	830,523
Cash resources, end of year	$ 1,299,178	$ 814,695

The accompanying notes are an integral part of these financial statements

1. Nature of business

Manitoba Film and Sound Recording Development Corporation (the "Corporation") is a statutory corporation created by the Province of Manitoba through *The Manitoba Film and Sound Recording Development Corporation Act*. The chief objective of the Corporation is to foster growth of the Manitoba film and sound recording industries by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Manitoba Film and Video Production Tax Credit Program, including registration of productions and review of tax credit applications.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Program funding

The Corporation provides grant funding to Manitoba companies and individuals in order to promote Manitoba's film, sound recording and interactive media artists and industries. The grant may nominally take the form of equity financing from which, in the future, there may be a recovery of principal or return on investment.

Revenue recognition

Any recovery of principal or return on investment of programs funded is recorded as program recoupments, when received or reported by the applicant.

Capital assets

Capital assets are recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives. The annual rates are as follows:

Website	30%
Computer equipment	30%
Furniture	20%
Leasehold improvements	5%
Equipment	20%

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of capital assets is provided based on the Corporation's estimated useful lives of those assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

The accompanying notes are an integral part of these financial statements

3. Cash

Cash on deposit earns monthly interest at the Chartered Bank's commercial rates.

4. Notes receivable

Notes receivable reflect loans advanced under the Special Loan fund and are required to be repaid as follows:

	2004	2003
Term loan bearing interest at an interest rate established by the Department of Finance plus 1%, interest receivable monthly, and principal balance due on March 31, 2005 (extended from June 1, 2002), secured by an assignment of film tax credits.	$ 74,709	$ 95,168
Term loan bearing interest at an interest rate established by the Department of Finance plus 1%, interest receivable monthly, and principal balance due March 31, 2005 (extended from January 30, 2003), secured by an assignment of film tax credits.	56,329	56,329
Term loan bearing interest at an interest rate established by the Department of Finance plus 1%, interest receivable monthly, and principal balance due March 31, 2005 (extended from February 20, 2003), secured by an assignment of film tax credits.	9,598	9,598
Term loan paid out during the year	-	32,500
	$ 140,636	$ 193,595

5. Capital assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Website	$ 4,907	$ 4,907	-	$ 637
Computer equipment	62,115	49,492	12,623	16,053
Furniture	49,063	35,548	13,515	19,213
Leasehold improvements	50,968	10,148	40,820	43,358
Equipment	2,700	2,253	447	397
	$ 169,753	$ 102,348	$ 67,405	$ 79,658

The accompanying notes are an integral part of these financial statements

6. Deferred revenue

The Province of Manitoba has provided funds directed to specific programs in the next fiscal year. These funds consist of:

	2004	2003
Sound portfolio investment envelope program	**$ 127,500**	$ 277,500
Interactive media programs	**435,058**	273,632
Emerging talent matching funds program	**10,000**	-
	$ 572,558	$ 551,132

7. Carry-over commitments

Due to lead times required to obtain all the resources necessary to complete film, video, sound recording and interactive media projects, the Corporation approves applications for funding which may not be disbursed until subsequent fiscal periods. Particulars of such approved funding in fiscal year ended March 31, 2004 and prior years, which were not fully advanced as at March 31, 2004 are as follows:

	Year of Commitment					Total	
	03/04	02/03	01/02	00/01	99/00	2004	2003
Film							
Film development	$ 23,602	$ 3,670	$ 2,148	-	-	**$ 29,420**	$ 48,085
Film production	275,606	86,603	4,919	3,044	2,000	**372,172**	354,899
Access to markets and festivals	2,829	-	-	-	-	**2,829**	1,750
Emerging talent matching funds	-	-	1,000	-	-	**1,000**	4,400
Industry support	1,000	-	-	-	-	**1,000**	2,000
	303,037	90,273	8,067	3,044	2,000	**406,422**	411,134
Sound							
Sound recording	$ 89,648	$ 7,977	-	-	-	**$ 97,625**	$ 50,221
Demo recording	18,480	-	-	-	-	**18,480**	5,436
Audio marketing	7,700	500	-	-	-	**8,200**	1,500
Sound touring	4,400	-	-	-	-	**4,400**	(108)
Music video production	-	-	-	-	-	-	500
Tour Manitoba	-	-	-	-	-	-	15,000
Portfolio Investment Envelope	32,000	-	-	-	-	**32,000**	-
Market Access	3,000	-	-	-	-	**3,000**	3,000
	155,228	8,477	-	-	-	**163,705**	75,549
Interactive Media							
Development	$ 15,000	-	-	-	-	**$ 15,000**	-
	15,000	-	-	-	-	**15,000**	-
Total commitments	$ 473,265	$ 98,750	$ 8,067	$ 3,044	$ 2,000	**$ 585,127**	$ 486,683

The accompanying notes are an integral part of these financial statements

8. Term loans payable

Term loans reflect borrowings by the Corporation from the Province of Manitoba to fund Special Loans advanced. Special loans are secured by Notes Receivable which are detailed in Note 4.

	2004	2003
Term loan bearing interest at a rate established by the Department of Finance, interest payments due semi-annually and principal balance due March 31, 2005 (extended from June 1, 2002).	**$ 74,709**	$ 95,168
Term loan bearing interest at a rate established by the Department of Finance, interest payments due semi-annually and principal balance due March 31, 2005 (extended from January 30, 2003).	**56,329**	56,329
Term loan bearing interest at a rate established by the Department of Finance, interest payments due semi-annually and principal balance due March 31, 2005 (extended from February 20, 2003).	**9,598**	9,598
Term loan paid out during the year.	**-**	32,500
	$ 140,636	$ 193,595

9. Net assets

	Invested in capital assets	Unrestricted	**2004**	2003
Balance, beginning of year	$ 79,658	$ 56,107	**$ 135,765**	$ 168,991
Excess (deficiency) of revenues over expenses	(21,729)	70,507	**48,778**	(33,226)
Investment in capital assets	9,476	(9,476)	**-**	-
Balance, end of year	$ 67,405	$ 117,138	**$ 184,543**	$ 135,765

The accompanying notes are an integral part of these financial statements

10. Lease commitments

The Corporation has entered into various lease agreements with minimum annual payments as follows:

2005	$ 52,168
2006	52,168
2007	52,168
2008	56,312
2009	53,020

11. Programs delivery

Programs delivery also includes the expenses associated with the delivery of the Manitoba Film & Video Production Tax Credit Program (MTC). While the value of the MTC does not flow through the Corporation, the delivery of it does and therefore determined to be worth noting. A total of 77 applications were received for processing during the 2004 fiscal year (2003 – 68), representing in excess of $129 million worth of production activity (2003 - $119 million). Production activity includes projects, which took place in current and prior years. The tax credits are subject to approval by the Province of Manitoba.

12. Economic dependence

The Corporation's primary source of income is derived from the Province of Manitoba in the form of an operating grant.

13. Comparative figures

Certain prior year figures have been reclassified to conform to current year presentation.

The accompanying notes are an integral part of these financial statements

AUDITORS' REPORT

To the Minister of Finance of the
Province of Manitoba and the Directors of the
Manitoba Floodway Expansion Authority Inc.

We have audited the financial statements of the **Manitoba Floodway Expansion Authority Inc.** as at March 31, 2004 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements presents fairly, in all material respects, the financial position of the Authority as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
July 7, 2004.

Chartered Accountants

Manitoba Floodway Expansion Authority Inc.
Balance Sheet
As at March 31, 2004

		2004
ASSETS		
Current Assets		
Accounts receivable - Government of Canada (Note 3)		$ 2,243,368
Capital Assets (Note 2, Schedule)		
Land	$ 6,975,528	
Floodway infrastructure	5,667,356	
Assets under construction	2,993,297	15,636,181
Total Assets		$ 17,879,549
LIABILITIES and EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities		$ 1,516,397
Working capital advance (Note 4)		726,970
		2,243,367
Deferred Contributions related to Capital Assets (Note 5)		8,660,653
		10,904,020
Contributed Equity related to Capital Assets (Note 6)		6,975,528
Share Capital		
Authorized - unlimited number of Class A common shares, issued - 1share		1
Total Liabilities and Equity		$ 17,879,549

Commitments (Note 7)

(see accompanying notes and schedule to the financial statements)

On behalf of the Board:

E. Gilroy

N. Brandson

Manitoba Floodway Expansion Authority Inc.
Statement of Operations
Year ended March 31, 2004

	2004
Revenue	
Province of Manitoba	$ 139,621
Government of Canada	137,626
	277,248
Expenses	
Salaries and benefits	170,342
Other operating expenses	106,906
	277,248
Net Operating Results	$ -

(see accompanying notes and schedule to the financial statements)

Manitoba Floodway Expansion Authority Inc.
Statement of Cash Flows
Year Ended March 31, 2004

	2004
Operating transactions	
Net operating results	$ -
Net changes in non-cash working capital balances related to operations	
Accounts receivable - Government of Canada	(137,626)
Accounts payable and accrued liabilities	142,717
Cash provided by operating transactions	5,091
Financing transactions	
Working capital advance	726,970
Capital transactions	
Acquisition of capital assets	(4,248,615)
Accounts receivable - Government of Canada	(2,105,742)
Accounts payable and accrued liabilities	1,373,681
Federal contributions for capital purposes	2,105,742
Deferred provincial contributions related to capital assets	2,142,873
Cash applied to capital transactions	(732,061)
Increase in funds on deposit with Minister of Finance	-
Funds on deposit with Minister of Finance, beginning of year	-
Funds on deposit with Minister of Finance, end of year	$ -

(see accompanying notes and schedule to the financial statements)

Manitoba Floodway Expansion Authority Inc.
Notes to the Financial Statements
For the Year ended March 31, 2004

Note 1 - Nature of Operations

The Manitoba Floodway Expansion Authority Inc. (the Authority) was incorporated with share capital under the Corporations Act with Articles of Incorporation dated October 3, 2003, and subsequently on March 3, 2004 the Board of Directors was approved by the Lieutenant Governor in Council. The Authority was created for government purposes to develop, coordinate and oversee implementation of plans for the Manitoba Floodway Expansion Project, and to develop, implement and operate related programs. These financial statements represent the Authority's first year of operation.

The Floodway Authority Act (Act) received Royal Assent on June 10, 2004 and is pending Proclamation. When proclaimed, the property and liabilities of the Manitoba Floodway Expansion Authority Inc. will become the property and liabilities of the Manitoba Floodway Authority, a Crown Corporation, and the Manitoba Floodway Expansion Authority will cease to exist.

Note 2 - Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Purchased capital assets are recorded at cost and are amortized on a straight line basis according to their estimated useful life. The Authority has established capitalization limits of $5,000 for furniture and equipment, including computer workstations.

Expenditures which are capitalized include direct construction costs, interest during construction and related overhead expenses. Capital assets constructed by the Authority are recorded as an Asset under Construction until the asset is placed in service.

The Authority provides for amortization of its capital assets on the following basis:

Floodway infrastructure	40 years
Furniture and equipment	5 years
Leasehold improvements	Term of lease

Pension Plans

In accordance with the provisions of The Civil Service Superannuation Act (Act), employees of the Authority are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits. The Authority is required to make contributions equal to the amounts contributed to the Fund by the employees. Under this Act, the Authority has no further pension liability.

Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenditures recorded in the period, and the disclosure of contingencies at the date of the financial statements. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies (continued)

Financial Instruments

Financial instruments include accounts receivable, accounts payable and accrued liabilities, and working capital advance. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Authority's financial assets and liabilities approximates their fair value.

Recording of Contributions

Contributions from the Government of Manitoba utilized for construction of the floodway assets are deferred and amortized to income on the same basis as the related capital assets. Contributions from the Government of Canada utilized to construct capital assets are deducted from the cost of the constructed asset.

Contributions from the governments of Manitoba and Canada utilized for operating expenses are recognized as income when received.

Note 3 - Government of Canada – Receivable

At year-end the Authority had shared-cost claims outstanding from the Government of Canada amounting to $2,243,368 under a Canada-Manitoba Agreement for the expansion of the Manitoba Floodway, which was signed December 8, 2003. Under the agreement all eligible costs are shared 50-50 with Canada to a maximum federal share of $120 million.

Note 4 - Working Capital Advance

The Manitoba Floodway Authority Inc. is included under The Provision of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance. The advances are repayable on demand at the option of the Lieutenant Governor in Council.

At March 31, 2004 the working capital advance consisted of an advance of $1,400,000 bearing interest at a rate of 3.25% through Loan Act Authority, reduced by funds on deposit with the Minister of Finance of $673,030.

Note 5 - Deferred Contributions related to Capital Assets

Deferred contributions represent the unamortized cost associated with the existing floodway infrastructure (excluding land) transferred on March 31, 2004 from the Province of Manitoba to the Authority. Deferred contributions will be recognized annually as revenue in the statement of operations in an amount equal to the annual amortization charges for the existing floodway.

Note 6 - Contributed Equity related to Capital Assets

The Authority and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from the Province to the Authority of capital assets valued at $13,493,308. as at March 31, 2004, for the purpose of carrying out the expansion of the Floodway. The Authority has recorded the unamortized provincially funded portion of the capital assets as deferred capital contributions, and the remainder of $6,975,528, representing the value of land transferred to the Authority, as contributed equity.

Note 7 - Commitments

The Authority has entered into various contracts in the Project Development and Environmental Assessment (PDEA) stage of the Floodway expansion project. Contractual commitments relating to the PDEA stage of the project total approximately $3,465,065 at March 31, 2004.

Commitments for the lease of office space to the Province of Manitoba Department of Transportation and Government Services for the next five years are as follows:

2005	$98,200
2006	99,700
2007	99,700
2008	99,700
2009	45,700

Note 8 - Economic Dependence

The Authority is economically dependent on funding received from the Province of Manitoba and the Government of Canada.

Manitoba Floodway Expansion Authority Inc.
Schedule of Capital Assets
As at March 31, 2004

	Cost	Federal Contributions	Cost net of Federal Contributions	Accumulated Amortization	2004 Net Book Value
Land	$ 6,975,528	$ -	$ 6,975,528	$ -	$ 6,975,528
Floodway Infrastructure - 1969	49,905,100	28,804,900	21,100,200	18,990,180	2,110,020
Floodway Infrastructure -					
Improvements - 2001	1,943,000	-	1,943,000	97,150	1,845,850
Improvements - 2000	3,348,116	2,338,951	1,009,165	75,687	933,478
Improvements - 1997	1,830,607	915,304	915,303	137,295	778,008
	64,002,351	32,059,155	31,943,196	19,300,312	12,642,884
Assets Under Construction - 2004	850,424	-	850,424	-	850,424
Assets Transferred from the Province	64,852,775	32,059,155	32,793,620	19,300,312	13,493,308
Manitoba Floodway Expansion Authority - Assets Under Construction - 2004	4,248,615	2,105,742	2,142,873	-	2,142,873
	$ 69,101,390	$ 34,164,897	$ 34,936,493	$ 19,300,312	$ 15,636,181

THE MANITOBA FOUNDATION
STATEMENT OF RESPONSIBILITY

The accompanying financial statements are the responsibility of the Board of Trustees and have been prepared in accordance with Canadian generally accepted accounting principles. In the Board's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating its best judgment regarding all necessary estimates and all other data available up to August 30, 2004.

The Board of Trustees maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information to properly safeguard assets of The Manitoba Foundation.

The responsibility of the Office of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of the Board of Trustees of The Manitoba Foundation.

Brian H. Kelly	René Perreault
Treasurer	Secretary/Trustee

August 30, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Trustees of The Manitoba Foundation

We have audited the balance sheet of The Manitoba Foundation as at March 31, 2004 and the statement of operations for the year then ended. These financial statements are the responsibility of the Foundation's Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Manitoba Foundation as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
August 30, 2004

THE MANITOBA FOUNDATION
BALANCE SHEET

As At March 31, 2004
(with comparative figures for March 31, 2003)

	2004 $	2003 $
ASSETS		
Funds on deposit with the Minister of Finance	12	11
FUND BALANCE		
Fund balance	12	11

THE MANITOBA FOUNDATION
STATEMENT OF OPERATIONS

For the Year Ended March 31, 2004
(with comparative figures for the year ended March 31, 2003)

	2004 $	2003 $
REVENUE:		
Interest and other income	1	0
EXPENSES:		
Administrative expenses	0	0
EXCESS OF REVENUE OVER EXPENSES	1	0
FUND BALANCE AT BEGINNING OF YEAR	11	11
FUND BALANCE AT END OF YEAR	12	11

APPROVED BY THE BOARD:

________________ Trustee

________________ Trustee

THE MANITOBA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

I. INCORPORATION AND FUNCTION

The Manitoba Foundation was established by The Manitoba Foundation Act which was proclaimed on November 22, 1993.

The Manitoba Foundation meets the requirement of Crown Agency status within the meaning of the Income Tax Act, and as such can receive gifts to Her Majesty in right of Manitoba and issue official receipts for income tax purposes.

The Foundation is intended to act as a conduit, for the transfer of gifts received, to institutions which are registered charities and are designated by the Lieutenant Governor in Council in the Regulations under The Manitoba Foundation Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The Foundation financial statements are prepared in accordance with Canadian generally accepted accounting principles.

3. GIFTS POLICY AND WITHHOLDINGS FOR ADMINISTRATIVE EXPENSES

Gifts to the Foundation must have a value of not less than $10,000 and the transfer of these properties must be voluntary.

The Trustees of the Foundation are entitled to cover their administrative costs from the property and earnings of the fund and have adopted a withholding policy for this purpose. The full amount of the gift is the amount that qualifies for the purposes of an official tax receipt.

The Trustees will review the fund balance and intend to transfer any excess amount withheld to the designated institution(s) on a pro rata basis.

4. SERVICES PROVIDED BY THE PROVINCE

The Province of Manitoba provides administrative support services at no charge to the Foundation. The full costs of these services are nominal in amount.

5. STATEMENT OF CASH FLOWS

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the balance sheet of the Manitoba Gaming Control Commission as at March 31, 2004 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Gaming Control Commission as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 4, 2004

MANITOBA GAMING CONTROL COMMISSION
Balance Sheet

March 31	2004	2003
Assets		
Current Assets		
Cash	$ 2,150,345	$ 202,514
Short-term investments (Note 2b)	436,424	2,548,962
Accounts receivable (Note 3)	1,044,085	35,742
Prepaid expenses	17,765	4,153
	3,648,619	2,791,371
Long Term Receivable – Province of Manitoba (Note 6)	146,079	146,079
Capital Assets (Note 4)	614,163	644,727
	$ 4,408,861	$ 3,582,177
Liabilities and Surplus		
Current Liabilities		
Accounts payable and accrued liabilities	$ 422,679	$ 343,588
Deferred revenue (Note 5)	1,799,155	1,206,529
	2,221,834	1,550,117
Provision for employee severance benefits (Note 6)	164,825	153,201
Deferred lease inducements (Note 7)	37,625	48,125
	2,424,284	1,751,443
Surplus	1,984,577	1,830,734
	$ 4,408,861	$ 3,582,177

The accompanying notes are an integral part of these financial statements.

MANITOBA GAMING CONTROL COMMISSION
Statement of Operations and Surplus

For the year ended March 31	2004	2003
Revenue		
Registration fees	$ 2,719,242	$ 2,286,281
License fees	1,274,877	1,310,676
	3,994,119	3,596,957
Expenses		
Salaries and benefits	2,687,701	2,481,039
Legal and professional fees	240,581	308,650
Other expenses (Note 8)	228,692	266,132
Amortization	189,194	191,951
Rent	157,557	149,788
Transportation	127,480	124,306
Communications	102,538	98,451
Supplies and services	68,852	67,763
Commission Board	66,620	121,278
Accommodations	32,372	31,563
	3,901,587	3,840,921
Income (loss) before other items	92,532	(243,964)
Other Items		
Other income	14,800	10,612
Interest income	46,511	53,040
	61,311	63,652
Excess (deficiency) of revenue over expenses	153,843	(180,312)
Surplus, beginning of year, as restated (Note 6)	1,830,734	2,011,046
Surplus, end of year	$ 1,984,577	$ 1,830,734

The accompanying notes are an integral part of these financial statements.

MANITOBA GAMING CONTROL COMMISSION
Statement of Cash Flows

For the year ended March 31	2004	2003
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses	$ 153,843	$ (180,312)
Items not involving cash		
Amortization of capital assets	189,194	191,951
Amortization of capital assets related to the Commission Board	4,366	4,459
	347,403	16,098
Changes in non-cash working capital balances		
Accounts receivable	(1,008,343)	29,765
Prepaid expenses	(13,612)	(4,153)
Accounts payable and accrued liabilities	79,091	(94,807)
Deferred revenue	592,626	9,889
Provision for employee severance benefits	11,624	9,496
	8,789	(33,712)
Cash Flows from Investing Activities		
Purchase of capital assets	(162,996)	(288,225)
Cash Flows from Financing Activities		
Deferred lease inducements	(10,500)	(10,500)
Increase (decrease) in cash and cash equivalents during the year	(164,707)	(332,437)
Cash and cash equivalents, beginning of year	2,751,476	3,083,913
Cash and cash equivalents, end of year	$ 2,586,769	$ 2,751,476
Represented by		
Cash	$ 2,150,345	$ 202,514
Short-term investments	436,424	2,548,962
	$ 2,586,769	$ 2,751,476

The accompanying notes are an integral part of these financial statements.

MANITOBA GAMING CONTROL COMMISSION
Notes to Financial Statements
for the year ended March 31, 2004

1. Nature of Business

The Manitoba Gaming Control Commission was established by The Gaming Control Act. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

2. Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

b. Short-Term Investments

Short-term investments are carried at cost, which approximates market value. Funds available for short-term investment are invested with the Province of Manitoba, in accordance with Section 55(7) of The Gaming Control Act.

c. Financial Instruments

The organization's financial instruments consist of cash, short-term investments, accounts receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

d. Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20 % declining balance basis
Furniture and fixtures	10 % declining balance basis
Computer equipment	30 % declining balance basis

e. Revenue Recognition

Revenue and expenses are recorded on an accrual basis except for license and supplier registration fees, which are recognized on a cash receipt basis.

f. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Accounts Receivable

	2004	2003
Trade	$ 9,902	$ 2,723
Manitoba Lotteries Corporation	1,021,250	20,086
Employee Advances	12,933	12,933
	$ 1,044,085	$ 35,742

4. Capital Assets

			2004	2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	$ 65,453	$ 42,295	$ 23,158	$ 28,947
Furniture and fixtures	297,637	142,323	155,314	170,513
Computer equipment	967,791	532,100	435,691	445,267
	$ 1,330,881	$ 716,718	$ 614,163	$ 644,727

5. Deferred Revenue

Deferred revenue consists of registration fees received to be recognized as revenue in the year in which the related expenses are incurred.

6. Provision for Employee Severance Benefits

Effective April 1, 1998, the Commission commenced recording the estimated liability for accumulated severance pay benefits for certain of its employees. The amount of this estimated liability is determined using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 23 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Commission.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Commission's employees. Accordingly, the Commission recorded a receivable of $146,079 from the Province of Manitoba, which is an amount that is equal to the estimated liability for accumulated severance pay benefits at March 31, 1998. There are no specific terms of repayment for this receivable and there have been no repayments made by the Province to date.

During the current year, it was noted that the receivable from the Province of Manitoba of $146,079 was reduced in error by $56,254 in severance pay benefits paid by the Commission in prior years, although the Province of Manitoba had not reimbursed the Commission for the severance amounts paid. The effect of the correction of this error increased the long term receivable from the Province of Manitoba and the surplus by $56,254, as at March 31, 2003. The financial statements, as at March 31, 2003, have been restated to reflect the error. The following details the restatement of the surplus.

Surplus:

	2004	2003
Balance, beginning of year, as previously stated	**$ 1,774,480**	$ 1,954,792
Adjustment due to correction of an error	**56,254**	56,254
Balance, beginning of year, as restated	**1,830,734**	2,011,046
Excess (deficiency) of revenue over expenses	**153,843**	(180,312)
Balance, end of year	**$ 1,984,577**	$ 1,830,734

7. Deferred Lease Inducements

The organization has received lease inducements in the form of a rent-free period of approximately ten months. The benefits arising from these lease inducements are amortized over the term of the lease on a straight-line basis as reductions of rental expense. Rental expense has been reduced by $10,500 for the period ending March 31, 2004 ($10,500 in 2003) and an annual reduction in rental expense of approximately $10,500 is expected for the years 2005 through 2007.

8. Other Expenses

Other expenses include the First Nations Implementation Team expenses of $33,336 ($44,642 in 2003).

9. Commitments

The organization has an operating lease for its premises at $12,094 per month, under a lease expiring in 2007.

The minimum annual lease payments for the next three years are as follows:

2005	145,125
2006	145,125
2007	145,125

10. Economic Dependence

A substantial portion of the organization's total revenue is derived from Manitoba Lotteries Corporation in the form of registration fees.

11. Pension Plans

Substantially all of the employees of the Commission are members of a Money Purchase Pension Plan ("the Plan"), which is a defined contribution pension plan available to all eligible employees of the Commission. Upon retirement, plan members will receive benefits based on contributions made to the Plan during the employees' years of service.

The remainder of the employees are members of the Province of Manitoba's defined benefit Superannuation Pension Fund ("the Fund"). Variances between actual funding estimates and actual experience will be revealed in future valuations which may require an increase in the funding contribution rates.

The Commission matches employees' current pension contributions to both plans. As a matching employer, the Commission discharges its pension liability on a current basis and, therefore, has no additional pension obligation.

The Commission's portion of contributions to these plans is recognized as operating expenses in the period of contribution. Total contributions for the year are $102,318 ($80,946 in 2003).

12. Comparative Figures

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

13. Subsequent Event

In March 2004, the Minister of Finance, under section 55(13) of The Gaming Control Act, directed the Commission to provide a one-time revenue sharing payment of $1.0 million to the Province in 2004/05.

Responsibility for Financial Reporting

The Manitoba
Habitat Heritage
Corporation

The management of the Manitoba Habitat Heritage Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In management's opinion, the financial statements have been properly prepared and of necessity, include some amounts based upon management's best estimate and judgments up to May 7, 2004.

The responsibility of the Auditor General and staff is to express an independent opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report outlines the scope of the auditors' examination and provides the audit opinion.

Lorne Colpitts
Chief Executive Officer

Manager of Financial Services

May 7, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba,
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of the Manitoba Habitat Heritage Corporation

We have audited the statement of financial position of The Manitoba Habitat Heritage Corporation as at March 31, 2004 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 7, 2004

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Financial Position
as at March 31, 2004
(with comparative figures for 2003)

	North American Waterfowl Management Plan	Manitoba Agro Woodlot Program	Riparian Stewardship Program	Capital Assets	Inter Plan/ Program Eliminations	2004	2003 (Note 6)
ASSETS							
Current Assets							
Cash	$22,931	$23,376	$71,871			$118,178	$331,541
Funds on deposit with Province of Manitoba		153,162	79,393			232,555	301,325
Accounts receivable							
Government of Canada	66,866		58,750			125,616	134,250
Province of Manitoba		5,578				5,578	5,427
Other	100,889	619	9,068			110,576	117,606
Due from North American Waterfowl Management Plan		50	463		$(513)		
Due from Manitoba Agro Woodlot Program	4,208				(4,208)		
Due from Riparian Stewardship Program	19,839				(19,839)		
Prepaid expenses	41,733	675	337			42,745	33,927
	256,466	183,460	219,882		(24,560)	635,248	924,076
Capital Assets (Note 3)				3,288,758		3,288,758	2,254,651
Trust Assets (Note 10)						795,131	676,568
	$256,466	$183,460	$219,882	$3,288,758	$(24,560)	$4,719,137	$3,855,295
LIABILITIES							
Current Liabilities							
Accounts payable and accrued liabilities	$95,815	$16,802	$4,707	$85,055		$202,379	$101,166
Due to North American Waterfowl Management Plan		4,208	19,839		$(24,047)		
Due to Manitoba Agro Woodlot Program	50				(50)		
Due to Riparian Stewardship Program	463				(463)		
Capital lease obligation				771		771	1,668
	96,328	21,010	24,546	85,826	(24,560)	203,150	102,834
Deferred contributions (Note 4)			75,902			75,902	160,061
Deferred contributions related to capital assets (Note 5)							163,222
Fund Balances							
Invested in Capital Assets				3,202,932		3,202,932	2,252,983
Unrestricted	160,138	162,450	119,434			442,022	499,627
Trust Liabilities (Note 10)						795,131	676,568
	$256,466	$183,460	$219,882	$3,288,758	$(24,560)	$4,719,137	$3,855,295

Commitments (Notes 7 and 8)

On behalf of the Board:

Director David L. Wotton

Director Jonathan Scarth

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Operations and Changes in Fund Balances
for the year ended March 31, 2004
(with comparative figures for 2003)

	North American Waterfowl Management Plan	Manitoba Agro Woodlot Program	Riparian Stewardship Program	Capital Assets	Inter Plan/ Program Eliminations	2004	2003 (Note 6)
REVENUE							
Government of Canada contributions	$267,863	$14,000	$129,660			$411,523	$411,079
Province of Manitoba contributions	576,500	210,870	79,437			866,807	690,582
Contributed services, Province of Manitoba	66,460	79,550	14,448			160,458	153,223
Donations	445					445	737
Interest income	1,434	3,110	4,413			8,957	13,379
Other	124,733	11,160	66,120			202,013	154,931
Management fees (Note 11)	156,242				$(128,971)	27,271	24,651
	1,193,677	318,690	294,078		(128,971)	1,677,474	1,448,582
EXPENSES							
Amortization of capital assets				37,179		37,179	35,158
Interest on capital lease				229		229	375
Loss on disposal of capital assets				427		427	
Service delivery – Schedule 1	1,183,519					1,183,519	1,121,098
– Schedule 2		355,228			(14,981)	340,247	305,265
– Schedule 3			304,027		(113,990)	190,037	183,064
	1,183,519	355,228	304,027	37,835	(128,971)	1,751,638	1,644,960
Excess (deficiency) of revenue over expenses	10,158	(36,538)	(9,949)	(37,835)		(74,164)	(196,378)
Fund balances, beginning of year, as previously stated				2,252,983		2,252,983	1,701,959
Prior period adjustment (Note 6)	164,982	204,254	130,391			499,627	714,016
Fund balances, beginning of year, as restated	164,982	204,254	130,391	2,252,983		2,752,610	2,415,975
Investment in capital assets				810,508		810,508	401,613
Donated land				156,000		156,000	131,400
Interfund transfers	(15,002)	(5,266)	(1,008)	21,276			
Fund balances, end of year	$160,138	$162,450	$119,434	$3,202,932		$3,644,954	$2,752,610

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Cash Flows
for the year ended March 31, 2004
(with comparative figures for 2003)

	North American Waterfowl Management Plan	Manitoba Agro Woodlot Program	Riparian Stewardship Program	Capital Assets	Inter Plan/ Program Eliminations	2004	2003 (Note 6)
OPERATING ACTIVITIES							
Excess (deficiency) of revenue over expenses	$10,158	$(36,538)	$(9,949)	$(37,835)		$(74,164)	$(196,378)
Amortization of capital assets				37,179		37,179	35,158
Net change in non-cash working capital	(67,283)	13,446	(46,060)	122,750		22,853	(170,810)
Loss on disposal of capital assets				427		427	
Decrease in deferred contributions related to operating activities			(84,159)			(84,159)	
Net cash used in operating activities	(57,125)	(23,092)	(140,168)	122,521		(97,864)	(332,030)
FINANCING AND INVESTING ACTIVITIES							
Purchase of capital assets				(20,151)		(20,151)	(52,419)
Received restricted grants for purchase of land rights				647,286		647,286	491,484
Acquisition of land rights with restricted grants				(895,563)		(895,563)	(401,613)
Accounts payable for acquisition of land rights				85,055		85,055	
Received donation of land and land rights				156,000		156,000	131,400
Acquisition of donated land and land rights				(156,000)		(156,000)	(131,400)
Capital lease obligation				(897)		(897)	(750)
Net cash used in financing and investing activities				(184,270)		(184,270)	36,703
Net decrease in cash	(57,125)	(23,092)	(140,168)	(61,749)		(282,134)	(295,327)
Cash and cash equivalents, beginning of year	95,058	204,896	292,440	40,473		632,867	928,193
Interfund transfers	(15,002)	(5,266)	(1,008)	21,276			
Cash and cash equivalents, end of year	$22,931	$176,538	$151,264			$350,733	$632,866
Cash and cash equivalents consist of :							
Cash	$22,931	$23,376	$71,871			$118,178	$331,541
Funds on deposit with Province of Manitoba		153,162	79,393			232,555	301,325
	$22,931	$176,538	$151,264			$350,733	$632,866

THE MANITOBA HABITAT HERITAGE CORPORATION

Notes to Financial Statements
March 31, 2004

1. Nature of Organization

The Manitoba Habitat Heritage Corporation (MHHC) was established in 1986 as a Crown Corporation under *The Manitoba Habitat Heritage Act*. The objectives of the Corporation are the conservation, restoration and enhancement of Manitoba fish and wildlife habitat and the associated fish and wildlife populations. Donations to the Corporation are tax deductible by the donor pursuant to *The Income Tax Act*, as gifts to Her Majesty. The Corporation is involved in the following initiatives:

a) The North American Waterfowl Management Plan (NAWMP)

Under Order-in-Council 634/89, the Corporation is authorized to be the Provincial agency responsible for coordinating the delivery of the North American Waterfowl Management Plan in Manitoba.

b) The Manitoba Agro Woodlot Program (MAWP)

On May 7, 1992 the Corporation signed a memorandum of agreement with the Manitoba Department of Natural Resources to deliver the Manitoba Agro Woodlot Program in Southwestern Manitoba. A management fee is charged by the Corporation for services provided by NAWMP to this program.

c) The Riparian Stewardship Program (RSP)

In January 1994, the Board of Directors of the Corporation directed staff to develop a strategy to deal with protection, restoration and enhancement of riparian habitat in agro-Manitoba. In fiscal year 2002/03, the name of the program was changed from Green Banks to the Riparian Stewardship Program to describe more accurately the program's objectives. A management fee is charged by the Corporation for services provided by NAWMP to this program.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are:

a) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Restricted contributions relating to land and land use rights, which are not amortized, are accounted for as increases in the Capital Assets Fund balance when the capital asset is purchased. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Management fees are recognized as revenue in the year the service is provided.

b) Capital Assets

The Capital Asset Fund reports the Corporation's capital assets and related amortization expense.

Purchased capital assets are recorded at cost and donated capital assets are recorded at fair value at the date the asset is donated.

Amortization of capital assets is recorded on a straight-line basis over the estimated useful lives of the capital assets at the rates indicated below.

Computer hardware	–	20%
Computer software	–	33%
Equipment	–	10%
Furniture and fixtures	–	10%

c) Contributed Services

Services are contributed by the Wildlife and Ecosystem Protection and Forestry Branches of Manitoba Conservation. Contributed services are recorded at cost, which is fair value.

3. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2004	Net Book Value 2003
Land and land use rights	$3,169,486		$3,169,486	$2,117,923
Computer hardware	205,239	$149,668	55,571	62,843
Computer software	42,920	30,549	12,371	14,080
Equipment	105,229	64,290	40,939	47,241
Furniture and fixtures	63,597	53,206	10,391	12,564
Total capital assets	$3,586,471	$297,713	$3,288,758	$2,254,651

Purchases of capital assets in the period are as follows:

	2004	2003
Land and land use rights	$1,051,563	$533,013
Computer hardware	13,122	25,060
Computer software	5,325	11,137
Equipment	825	10,858
Furniture and fixtures	878	5,364
	$1,071,713	$585,432

The sources of funding for land and land use rights are as follows:

	2004	2003
Environment Canada, Species at Risk - Habitat Stewardship Program (SARA)	$471,478	$236,838
Potholes Plus, Delta Waterfowl	424,085	164,775
Donations	156,000	131,400
	$1,051,563	$533,013

4. Deferred Contributions

Deferred contributions reported in the respective funds relate to restricted funding received in the current period that is related to expenses of future periods.

Changes in the deferred contributions balance reported in the respective funds are as follows:

	NAWMP	MAWP	RSP	Total
Balance, beginning of year			$160,061	$160,061
Less: revenue recognized in the year			(160,061)	(160,061)
Add: revenue received related to the following year			75,902	75,902
Balance, end of year			$75,902	$75,902

Riparian Stewardship Program

The balance of $75,902 is restricted to signed landowner agreements to cover fencing costs, staff time to complete the projects and program coordination costs.

5. Deferred Contributions Related to Capital Assets

Deferred contributions reported in the Capital Assets Fund represent restricted contributions received with which land and land use rights will be purchased. When the land and land use rights are purchased the related restricted contributions will be transferred from deferred contributions related to capital assets to the Capital Assets Fund balance.

The changes for the year in deferred contributions related to capital assets in the Capital Assets Fund are as follows:

Balance, beginning of year	$163,222
Contributions received	647,286
Amounts transferred to fund balance	(810,508)
Balance, end of year	

6. Restatement of Prior Periods

In the years prior to the 2003/04 fiscal year the Corporation accounted for all the contributions received as restricted contributions. Commencing April 1, 2003 the Corporation is distinguishing restricted contributions from unrestricted contributions and accounting for them as indicated in Note 2(a).

Years prior to 2003/04 fiscal year have been restated. The effects of the restatement on the fund balances at the beginning of the 2003/04 and 2002/03 fiscal years are presented in the statement of operations and changes in fund balances. The effects of the restatement on the operating results for the 2002/03 fiscal year are as follows:

	NAWMP	MAWP	RSP	Capital Assets	Total
Excess/(deficiency) of revenue over expenses, as previously stated	$447,727	$7,055		$(35,158)	$419,624
(Deficiency)/excess of revenue over expenses, as restated	$(162,595)	$16,800	$(15,050)	$(35,533)	$(196,378)

7. Operational Commitments

a) The Corporation leases land for wildlife habitat under NAWMP. Each lease is subject to the condition that sufficient funds are provided by the Province of Manitoba. The future minimum lease payments in the aggregate and for each of the three succeeding years are:

2005	9,419
2006	5,596
2007	1,267
Aggregate	$16,282

b) The Corporation leases space under existing leases for two NAWMP offices. The future minimum lease payments in the aggregate and for each of the two succeeding years are:

2005	31,449
2006	30,249
Aggregate	$61,698

c) The Corporation leases vehicles and office equipment under NAWMP. The future minimum lease payments in the aggregate and for each of the two succeeding years are:

2005	9,284
2006	1,908
Aggregate	$11,192

d) The Corporation leases computer equipment in the Winnipeg office. The future minimum lease payment for the final year is:

2005	375

e) At March 31, 2004 the Riparian Stewardship Program included several projects in progress. Remaining commitments under these signed agreements total approximately $112,500.

8. Capital Commitments

At March 31, 2004, the NAWMP had signed several commitments to purchase Conservation Agreements. These Conservation Agreements are to be paid out upon filing of the caveats associated with each Conservation Agreement in the 2005 fiscal year. These commitments totaled approximately $20,900.

9. Group RRSP Employee Benefits

Under the terms of the Corporation's RRSP program, employee contributions to RRSP's are matched by the Corporation on a current basis. As a result, the Corporation has no future pension benefit liability to employees.

10. Trust Assets and Liabilities

The Corporation holds assets in trust as follows:

	2004	2003
Cash and short term investments	$201,851	$83,288
Land	593,280	593,280
	$795,131	$676,568

Details relating to the parties involved and the assets held are included in notes (a) to (d) which follow.

a) The Critical Wildlife Habitat Program (CWHP)

The Corporation and the Wildlife and Ecosystem Protection Branch of Manitoba Conservation are partners in the CWHP.

The Corporation holds title, in trust, to a portfolio of land and provides banking and financial services for CWHP funds held in trust. A management fee is allowed, under the agreement, to be charged by the Corporation to the CWHP for these services. Disbursements, from the funds held in trust, are made at the direction of the Wildlife and Ecosystem Protection Branch.

Trust assets held by MHHC on behalf of this program include:

	2004	2003
Cash and short term investments	$104,010	$29,376
Land Portfolio	593,280	593,280
	$697,290	$622,656

10. Trust Assets and Liabilities (continued)

b) Manitoba Forestry/Wildlife Management Project (MFWMP)

The Corporation and the Wildlife and Ecosystem Protection Branch of Manitoba Conservation are partners in the MFWMP.

The Corporation provides banking and financial services for MFWMP funds held in trust. A management fee is allowed, under the agreement, to be charged by the Corporation to the MFWMP for these services. Disbursements, from the funds held in trust, are made at the direction of the Wildlife and Ecosystem Protection Branch.

Trust assets held by MHHC on behalf of this program include:

	2004	2003
Cash and short term investments	$11,728	$11,723

c) Prairie Habitat Joint Venture Advisory Board. (PHJV)

On May 12, 1990 Manitoba officially joined the PHJV Advisory Board. The PHJV Board's purpose is to oversee implementation of the NAWMP through a joint venture among participating agencies within the prairie provinces. PHJV agreed that the partner agencies would contribute to the costs with MHHC holding the funds in trust.

Trust assets held by MHHC on behalf of this program include:

	2004	2003
Cash and short term investments	$61,192	$42,189

d) Oak Hammock Marsh Wildlife Management Area (WMA)

On October 2, 2003 the Province of Manitoba and Ducks Unlimited Canada signed a three year infrastructure agreement. Both parties agreed to contribute to the costs of restorations to the Oak Hammock Marsh facility with MHHC holding the funds in trust for WMA. A management fee is allowed, under the agreement, to be charged by the Corporation to the WMA for these services.

Trust assets held by MHHC on behalf of this program include:

	2004	2003
Cash	$24,921	Nil

11. Management Fees

The Corporation charges for services provided by NAWMP to other programs as follows:

	2004	2003
MAWP	$14,981	$8,228
Riparian Stewardship Program	113,990	124,437
CWHP	27,271	24,651
	$156,242	$157,316

12. Economic Dependence

MHHC is economically dependent on the Province of Manitoba to provide the majority of its operational funding.

13. Disclosure Required by the Public Sector Compensation Disclosure Act

Remuneration paid to Board members during the year, in aggregate, totaled $5,200 (2003 - $5,900). Two contract employees were paid the following amounts in the fiscal year:

	2004	2003
T. Sopuck, Manager of Operations	$68,898	$62,026
K. Teneycke, Habitat Field Manager	60,339	54,360
A. Wren, Manager, Financial Services	N/A	52,822

THE MANITOBA HABITAT HERITAGE CORPORATION
NORTH AMERICAN WATERFOWL MANAGEMENT PLAN

Schedule 1

Schedule of Expenses for the year ended March 31, 2004
(with comparative figures for 2003)

	2004	2003
EXPENSES		
Habitat activities		
Salaries and benefits	$385,384	$411,264
Field office operations	68,006	62,939
Staff support	83,727	74,585
Nest baskets	35,654	22,921
Land leases	11,852	16,558
Habitat development	5,563	10,510
Property Taxes	16,565	16,022
	606,751	614,799
Evaluation	61,286	13,667
Communications		
Salaries and benefits	85,323	78,894
Program delivery	31,357	30,738
	116,680	109,632
Program coordination		
Salaries and benefits	224,045	204,047
Rent	46,861	44,736
Office	50,403	48,284
Other	38,269	36,877
Professional fees	16,410	22,230
Board meetings and remuneration	5,531	6,299
Travel	17,283	20,527
	398,802	383,000
TOTAL EXPENSES	**$1,183,519**	**$1,121,098**

THE MANITOBA HABITAT HERITAGE CORPORATION
MANITOBA AGRO WOODLOT PROGRAM

Schedule 2

Schedule of Expenses for the year ended March 31, 2004 (with comparative figures for 2003)

	2004	2003
EXPENSES		
Habitat activities		
Salaries and benefits	$216,334	$205,209
Incentives	4,632	7,112
Special Projects	465	
Travel	49,687	33,357
Office	15,014	18,861
Management fees (Note 11)	13,473	7,905
Rent	6,937	7,236
Other	15,681	14,304
Professional fees	1,766	2,594
Training workshops	21,413	8,931
Manitoba Model Forest Projects		1,446
Manitoba Forestry Association	2,505	
	347,907	306,955
Communications		
Management fees (Note 11)	1,508	323
Program delivery	5,813	6,215
	7,321	6,538
TOTAL EXPENSES	**$355,228**	**$313,493**

THE MANITOBA HABITAT HERITAGE CORPORATION
RIPARIAN STEWARDSHIP PROGRAM

Schedule 3

Schedule of Expenses for the year ended March 31, 2004
(with comparative figures for 2003)

	2004	2003
EXPENSES		
Riparian Coordination	$77,201	$68,965
Management fees (Note 11)	113,990	124,437
Managed grazing systems	104,926	97,180
Other	7,910	16,919
TOTAL EXPENSES	**$304,027**	**$307,501**

MHRC

THE MANITOBA HEALTH RESEARCH COUNCIL

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared and of necessity include some amounts based upon management's best estimates and judgements.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss.

John C. Docherty, Ph.D.
Executive Director
June 2, 2004

BDO Dunwoody LLP
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Auditors' Report

To the Legislative Assembly of Manitoba:

We have audited the statement of financial position of **Manitoba Health Research Council** as at March 31, 2004 and the statements of operations and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 2, 2004

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Financial Position

March 31	2004	2003
Assets		
Current Assets		
Cash and bank	$ 42,285	$ 35,255
Short-term investments Market Value 2004 - $901,158 (2003 - $701,801)	864,030	699,319
Accounts receivable	-	589
Accrued interest receivable	10,476	10,184
Prepaid expenses	2,157	1,401
Deposits	500	500
	919,448	747,248
Capital assets (Note 2)	4,266	5,333
	$ 923,714	$ 752,581
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities	$ 10,396	$ 7,946
Research grants payable	142,980	192,835
	153,376	200,781
Commitments (Note 5)		
Fund Balances		
General Research Fund	788,839	140,349
Regional Partnerships Program Fund	(18,501)	7,513
Strategic Health Research Development Fund	-	403,938
	770,338	551,800
	$ 923,714	$ 752,581

Approved on behalf of the Board:

_______________ Director

_______________ Director

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Operations and Fund Balances

For the year ended March 31				2004	2003
	General Research Fund	Regional Partnership Fund	Strategic Health Research Development Fund	Total	Total
Revenue					
Province of Manitoba grants	$ 1,952,600	$ 360,822	$ -	$ 2,313,422	$ 1,934,433
Grants returned / rescinded	147,121	1,619	-	148,740	25,484
Investment income	48,963	1,800	-	50,763	65,960
	2,148,684	364,241	-	2,512,925	2,025,877
Expenditures					
Administration	133,181	23,503	-	156,684	147,886
Personnel awards	712,500	77,000	-	789,500	755,000
Research grants	1,058,451	289,752	-	1,348,203	1,199,367
	1,904,132	390,255	-	2,294,387	2,102,253
Excess (deficiency) of revenue over expenditures	244,552	(26,014)	-	218,538	(76,376)
Fund balances, beginning of year	140,349	7,513	403,938	551,800	628,176
Transfer Strategic Health Research Development Fund to General Research Fund (Note 4)	403,938	-	(403,938)	-	-
Fund Balances, end of year	$ 788,839	$ (18,501)	$ -	$ 770,338	$ 551,800

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Cash Flows

For the year ended March 31	2004	2003
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ 218,538	$ (76,376)
Adjustments for		
Amortization of capital assets	1,067	890
	219,605	(75,486)
Changes in non-cash working capital balances		
Short-term investments	(164,711)	577,250
Accounts receivable	589	(589)
Accrued interest receivable	(292)	47,465
Prepaid expenses	(756)	157
Accounts payable and accrued liabilities	2,450	787
Research grants payable	(49,855)	(529,080)
	7,030	20,504
Cash Flows from Investing Activities		
Purchase of capital assets	-	(2,127)
Increase in cash and cash equivalents during the year	7,030	18,377
Cash, beginning of year	35,255	16,878
Cash, end of year	$ 42,285	$ 35,255
Supplementary Information:		
Interest received	$ 41,844	$ 89,377

MANITOBA HEALTH RESEARCH COUNCIL
Summary of Significant Accounting Policies

March 31, 2004

Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, short-term investments, and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Short-Term Investments

Short-term investments are stated at the lower of cost and market value.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization, based on the estimated useful life of the asset, is calculated as follows:

Office equipment	20% diminishing balance basis
Computer equipment	20% diminishing balance basis

Fund Accounting

The Manitoba Health Research Council follows the restricted fund method of accounting for contributions.

The General Research Fund reports only restricted resources that are used for research purposes. General research grants are charged to expenditures in the year the funding is committed for, by Council. Research grants returned to or rescinded by the Council are recorded as revenues when received or rescinded.

Regional Partnership awards are charged to expenditures when funding is received from the Province of Manitoba. Regional partnership awards returned to or rescinded by the Council are recorded as revenues when received or rescinded.

Interest Revenue

Interest revenue is allocated proportionately to the Funds on the basis of monthly Fund balances.

Personnel Awards

Personnel awards and their renewals are charged to expenditures when funding is approved by Council.

Administrative Expenditures

Administration expenses are allocated 85% to the Research Fund, 15% to the Regional Partnership Fund.

1. Entity Definition

The Manitoba Health Research Council was established by The Manitoba Health Research Council Act to promote and assist basic, clinical and applied research in the health sciences in Manitoba. The Manitoba Health Research Council is a registered charity and is exempt from tax under the Income Tax Act.

2. Capital Assets

	2004		2003	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Office equipment	**$ 6,375**	**$ 4,495**	$ 6,375	$ 4,025
Computer equipment	**4,642**	**2,256**	4,642	1,659
	$ 11,017	**$ 6,751**	$ 11,017	$ 5,684
Cost less accumulated amortization		**$ 4,266**		$ 5,333

3. Related Party Transactions

Manitoba Health Research Council is related to all Province of Manitoba departments and agencies. During the year, the Council had the following transactions with related organizations:

Grant Revenue	$ 2,313,422
Office Rent at no charge - University of Manitoba	

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4. Closing the Strategic Health Research Development Fund

In September the Department of Energy, Science & Technology permitted the Manitoba Health Research Council to close the Strategic Health Research Development Fund and transfer any funds remaining in the account to the General Research Fund to be used in accordance with the guidelines of that fund.

5. Commitments

The Manitoba Health Research Council has committed grants and awards under the General Research Fund and the Regional Partnership Fund as follows:

Year	General Research Fund	Regional Partnership Fund	Total
2004	$ 958,041	$ 77,000	$ 1,035,041
2005	1,212,598	-	1,212,598
2006	148,299	-	148,299
	$ 2,318,938	$ 77,000	$ 2,395,938

Commitments of future years of the General Research Fund and Regional Partnership Fund are not recorded as an expenditure in the year of commitment, they are recorded as paid.

These commitments are funded as follows:

Current General Research Fund Balance	**$ 788,839**
Current Regional Partnership Fund Balance	**(18,501)**
Future Province of Manitoba grants	**1,625,600**
	$ 2,395,938

6. Economic Dependence

The Manitoba Health Research Council relies almost entirely on grants from the Province of Manitoba.

MANITOBA HEALTH RESEARCH COUNCIL
Schedule of Administrative Expenses

For the year ended March 31	2004	2003
Accounting and audit	$ 3,490	$ 3,200
Amortization	1,067	890
Bank charges and interest	150	160
Council and committee expenses	20,536	4,922
Delivery	3,704	1,757
GST expense	985	791
Insurance	3,477	4,017
Printing, stationery and office supplies	6,544	8,341
Repairs and maintenance	1,090	1,075
Salaries and benefits	114,632	121,440
Telephone	1,009	1,293
	$ 156,684	$ 147,886

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Minister of Health

We have audited the balance sheet of the Manitoba Health Services Insurance Plan as at March 31, 2004 and the statement of revenue and expenses and net assets for the year then ended. These financial statements reflect the Plan's health program expenses for insured services and the funding provided for these programs from the Department of Health appropriations for the Health Services Insurance Fund and Capital Grants. These financial statements are the responsibility of the management of the Department of Health. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Note 2 describes the accounting policy with respect to the Plan's liability for vacation pay and post-employment benefits. In this respect the financial statements are not in accordance with Canadian generally accepted accounting principles. If the change in the liability and the change in the receivable had been recorded, expenses for the current year would have been increased by $46,096,000 (2003 - $23,100,000), revenue for the current year would have been increased by $46,096,000 (2003 - $23,100,000), revenue over expenses would remain unchanged and net assets would remain unchanged.

In our opinion, except for the effects of the failure to record the change in the liability and the change in the receivable as described in the preceding paragraph, these financial statements present fairly, in all material respects, the assets, liabilities and net assets of the Manitoba Health Services Insurance Plan as at March 31, 2004 and the revenue and expenses and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 16, 2004

Manitoba Health Services Insurance Plan

Balance Sheet

As At March 31, 2004

ASSETS

	2004	2003
	(thousands of dollars)	
Cash	$ 32,693	$ 23,807
Funds on deposit with the Province of Manitoba	75,697	103,400
Accounts receivable:		
Other Provinces and Territories	15,687	10,042
Other	2,836	2,812
	18,523	12,854
Receivable from the Province of Manitoba (Note 2)	250,196	204,100
Funds held in trust re debenture trust agreements (Note 5)	60,934	53,862
	$438,043	$398,023

LIABILITIES AND NET ASSETS

	2004	2003
	(thousands of dollars)	
Accounts payable and accrued liabilities:		
Health Authorities and Facilities	$54,833	$ 60,538
Medical services claims	44,749	49,089
Pharmacare claims	4,658	12,478
General	21,873	17,156
	126,113	139,261
Vacation pay and post-employment benefits (Note 2)	250,196	204,100
Holdbacks relating to debenture trust agreements (Note 5)	60,934	53,862
Net assets	800	800
	$438,043	$398,023

See accompanying notes to financial statements.

Manitoba Health Services Insurance Plan

Statement of Revenue and Expenses, and Net Assets

For the Year Ended March 31, 2004

	2004	2003
	(thousands of dollars)	
Revenue:		
Grants from the Province of Manitoba (Note 8)	$2,881,198	$2,639,764
Third party recoveries	8,766	8,575
Miscellaneous	149	118
Total revenue	2,890,113	2,648,457
Expenses:		
Health Authorities and Facilities (Note 6 and 8)	2,020,739	1,860,720
Medical (Notes 6, 7 and 9)	593,082	546,288
Provincial programs	91,487	80,637
Pharmacare	184,805	160,812
Total expenses	2,890,113	2,648,457
Revenue over expenses	--	--
Net assets beginning of year	800	800
Net assets end of year	$ 800	$ 800

See accompanying notes to financial statements.

Notes to the Financial Statements

For the Year ending March 31, 2004

Note 1 - Nature of Operations

The Manitoba Health Services Insurance Plan operates under the authority of the Health Services Insurance Act. The mandate of the Plan is to provide health related insurance for Manitobans by funding the costs of qualified hospital, medical, personal care and other health services. The Plan's financial operations are administered outside of the Provincial Consolidated Fund.

Note 2 - Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, except for the following.

Under current funding arrangements with health authorities and health facilities, the Manitoba Health Services Insurance Plan does not fund the annual vacation leave earned by employees of health authorities and health care facilities until the year vacations are taken. As well, the Plan does not fund post-employment benefits earned by employees of the health authorities and health care facilities until those post-employment benefits are paid.

In years prior to 2003, the Plan did not record, in the financial statements, the related liability to the health authorities and devolved and non-devolved health care facilities and did not record the related receivable from the Province of Manitoba. For the year ended March 31, 2003, the Plan commenced recording, in the financial statements, the liability and the receivable associated with the accrued vacation pay liabilities and post-employment benefit liabilities of the health authorities, and the devolved and non-devolved health care facilities.

The change in the liability has not been recorded as an expense and the change in the receivable has not been recorded as revenue for each of the years ended March 31, 2004 and 2003. The change in the liability and the change in the receivable for the year ended March 31, 2005 will be recorded, for the first time, in the statement of revenue and expenses for the year ended March 31, 2005.

Note 3 – Administrative and Operating Expenses

The financial statements do not include administrative salaries and operating expenses related to the Plan. These are included in the operating expenses of Manitoba Health.

Note 4 – Inter-provincial Reciprocal Recoveries

Under inter-provincial reciprocal agreements Canadian residents can obtain necessary hospital and medical services while away from their home provinces or territories. Claims for services are subsequently recovered between provincial governments. In order to reflect the cost of insured services to Manitobans, the recoveries attributable to services for non-Manitoba residents are netted against program expenditures.

For the year ended March 31, 2004 the expenditure for Health Authorities and Facilities within the Province, of $2,020,739,000 (2003 - $1,860,720,000) is net of reciprocal recoveries of $34,641,000 (2003 - $28,855,000). The expenditure for Medical program of $593,082,000 (2003 - $546,288,000) is net of reciprocal recoveries of $9,668,000 (2003 - $9,179,000).

Manitoba Heath Services Insurance Plan

Notes to the Financial Statements

For the Year ending March 31, 2004

Note 5 - Funds Held in Trust re Debenture Trust Agreements

	2004	2003
	(thousands of dollars)	
Government of the Province of Manitoba	$23,684	$35,952
Government of the Province of MB – Bonds	8,735	0
Government of the Province of B.C. – Bonds	17,910	17,910
Euro Bonds	10,605	0
	$60,934	$53,862

These funds are used for debt servicing related to debentures.

Note 6 – Regional Health Authorities

The following table summarizes payments to the Health Authorities. These payments are included in the financial statements in the expenditure categories of Health Authorities and Facilities and Medical.

Regional Health Authority	2004 Facilities (000's)	2004 Medical (000's)	2004 Total (000's)	2003 Total (000's)
Winnipeg	$1,334,327	$96,099	$1,430,426	$1,313,641
Brandon	118,598	6,054	124,652	121,036
North Eastman	28,088	2,883	30,971	28,723
South Eastman	43,759	3,183	46,942	46,394
Interlake	60,715	5,404	66,119	66,455
Central	109,456	8,930	118,386	110,686
Assiniboine	92,049	10,502	102,551	95,080
Parkland	78,483	3,470	81,953	76,249
Norman	39,772	6,239	46,011	43,108
Burntwood	34,035	11,206	45,241	41,604
Churchill	8,760	309	9,069	7,678
CancerCare	42,048	6,397	48,445	45,703
Total payments	$1,990,090	$160,676	$2,150,766	$1,996,357

The expenditure category, Health Authorities and Facilities, in the Statement of Revenue and Expenditure and Net assets is comprised of the following:

	2004 (000's)	2003 (000's)
Health Authorities payments	$1,990,090	$1,852,240
Accruals and facilities and third party payments	65,290	37,335
Reciprocal recoveries	(34,641)	(28,855)
Total expenditures	$2,020,739	$1,860,720

The expenditure category, Medical, in the Statement of Revenue and Expenditure and Net assets is comprised of the following:

	2004 (000's)	2003 (000's)
Medical payments and accruals	$419,688	$390,323
Health Authorities payments	160,676	144,117
Other (Note 7)	12,718	11,848
Total expenditures	$593,082	$546,288

Note 7 - Medical

Included in medical expenditures are the following other health service expenditures:

	2004	2003
	(thousands of dollars)	
Optometric	$ 4,903	$ 4,460
Chiropractic	7,815	7,388
	$12,718	$11,848

Note 8 – Capital Financing

Hospitals and personal care homes obtain financing for capital projects by issuing debentures, or by arranging for mortgages or long-term bank loans. As well, the hospitals and personal care homes receive grants for capital projects from the Province of Manitoba. The Hospital Capital Financing Authority approves the issue of all securities and assists in obtaining an orderly market for the sale of securities to finance these capital expenditures. This indebtedness and the capital grants are not reflected in these financial statements and the indebtedness is not guaranteed by the Manitoba Health Services Insurance Plan.

At March 31, 2004, the approved outstanding capital debt related to hospitals and personal care homes was $707,034,000 (2003 - $640,355,000) net of accumulated sinking funds of $120,036,000 (2003 - $108,321,000. The approved outstanding capital debt includes $492,900,000 (2003 - $445,513,000) which was borrowed by the Province of Manitoba and provided to the hospitals and personal care homes as capital grants. In addition to the approved outstanding capital debt, lines of credit up to $98,044,000 (2003 - $67,893,000) have been established to finance capital projects in process. On completion of these projects, the credit lines will be converted to long-term debt.

Funds for the payment of principal and interest related to approved capital debt are included in the Plan's expenditures, except for the principal and interest of $60,906,000 (2003 – $54,408,000) related to the capital debt of $492,900,000 (2003 – $445,513,000) which was borrowed by the Province of Manitoba and provided to the hospitals and personal care homes as capital grants. This amount is not included in these financial statements. For the year ended March 31, 2004, the amount related to principal and interest payments included in the expenses for Health Authorities and Facilities in these financial statements was $44,838,000 (2003 - $47,812,000).

Note 9 - The Public Sector Compensation Disclosure Act

The Schedule of Payments pursuant to the provisions of The Public Sector Compensation Disclosure Act is included as part of the financial statements.

Note 10 – Legal Actions

The nature of the Plan's activities is such that there may be litigation pending or in progress at any time. With respect to claims at March 31, 2004, no provision has been made in the financial statements as the final outcome of the claims is not determinable at this time.

Note 11 - Statement of Cash Flows

These financial statements do not include a Statement of Cash Flows. In the opinion of management, the Statement of Cash Flows does not provide additional disclosure.

Note 12 - Comparative Figures

Certain of the 2003 financial statement figures have been restated to be consistent with the 2004 presentation.

Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2004

This Schedule of Payments is published in compliance with the provisions of "The Public Sector Compensation Disclosure Act".

The Act requires the publication of the name of every person who receives $50,000 or more in the fiscal year for providing services to insured persons under The Health Services Insurance Act, and the amount paid to each. It should be noted that the payments reported for physicians represents their fee-for-service amounts only. The payments reported do not include payments that a physician may receive from alternate sources such as salary and contract payments, sessional payments, on-call stipends etc.

The fee-for-service payments are reported under the name of the practitioner who provided the services, except for special arrangements when services provided by a group of practitioners are billed in the name of a single practitioner for administrative efficiencies. This type of billing arrangement is in place for radiology, laboratory and dialysis services in particular. As a result, some of the amounts shown have not been generated solely by the practitioner whose name is shown.

Persons reading these data should understand that:

- *These data provide only a record of gross payments made by Manitoba Health to the practitioner.*
- *A practitioner's net income may vary from the gross payments shown as costs of operating a practice must be paid from these gross payments.*
- *As total revenues and costs of practice vary significantly between specialty groups and between individual practitioners, net income can also vary significantly.*

Abdul-Nour K	$158,455	Alvi A	$417,107	Arnott P C	$263,421
Abdulrehman A S	$241,550	Amadeo R J J	$68,856	Ashique A	$75,207
Abell W R	$92,786	Amarasekera D V	$147,960	Ashton M	$70,461
Abell N	$112,688	Amede K H	$250,879	Assuras G N	$311,452
Aboobaker S	$291,243	Amin S M	$267,321	Athaide M	$94,593
Adam C J E	$118,676	Amir N	$96,757	Atkinson R	$204,053
Adduri V R	$341,444	Anastasiades L	$111,327	Atwal J	$282,611
Ahluwalia R S	$339,744	Anderson B	$90,384	Azevedo J E	$143,123
Ahmad S N	$185,144	Anderson D M	$110,285	Babick T R	$284,296
Ahsan A	$124,471	Anderson B R	$254,318	Badenhorst L	$70,548
Ahweng A	$493,536	Anhalt hicks C D	$420,783	Badenhorst J	$80,198
Ainley A	$69,076	Anozie C B	$157,259	Badenhorst F	$228,014
Albak R E	$238,332	Antonenko N E	$137,427	Baidwan S K	$113,915
Albi F	$245,865	Antonissen L A S	$338,232	Baillie C	$274,725
Aldor T A M	$77,911	Anyadike I O	$272,846	Baker C	$341,201
Alevizos I	$62,510	Aoki F Y	$93,806	Balachandra B	$161,167
Ali K R	$327,825	Araneda M C	$64,481	Balageorge D	$350,434
Ali M B	$464,083	Armstrong J D	$61,682	Balcha B	$92,439
Allan D R (3)	$459,379	Armstrong B	$331,636	Balko G	$178,414
Alsewaidi O	$112,319	Arneja A S	$285,264	Banmann D S	$175,321
Altman G N	$178,624	Arneja J	$327,127	Barber L	$250,456
Alto L E	$376,062	Arnot J B	$187,853	Barc J	$197,993

Explanatory Notes:

(1) *Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).*

(2) *Director of a radiology facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 16 for list of facilities).*

(3) *Billings for Dialysis services representing the work of more than one physician. (See page 17 for list of facilities).*

(4) *Director of a nuclear medicine facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 17 for list of facilities).*

Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2004*(Continued)*

Bard R J	$226,890
Baria K	$280,250
Barker S L	$137,990
Barker J L	$178,892
Barker M F	$348,236
Barkey J L	$60,131
Barnard C E	$144,550
Barnes E B	$218,630
Barnes W R	$85,754
Baron K	$280,977
Baron C M	$228,070
Bartlett L C	$161,598
Basson H J	$222,096
Bay T	$203,701
Baydock B	$88,848
Beazley G G	$54,126
Bebchuk W	$63,447
Becker A	$172,221
Beckstead J E	$124,261
Bedder P	$256,399
Bedi B	$186,138
Beldavs R A	$935,232
Bell D D	$92,364
Bellan S	$79,650
Bellan L	$454,625
Benning H S	$482,269
Benoit A	$294,956
Bereznay O	$270,817
Bergen J	$212,732
Bergman E	$127,511
Bergner H	$241,799
Bermack B A	$310,587
Bernier M	$523,537
Bernstein C N	$211,018
Bernstein K (3)	$947,759
Berrow P J	$60,199
Bertsch A	$215,058
Beveridge T F	$55,534
Bhanot P	$83,009
Bhayana R K	$230,091
Bhayana V	$106,570
Bhayana R	$227,128
Biala B	$231,178
Biehl D	$125,064
Billinkoff E N	$230,023
Bilos R J	$71,051
Birt D	$360,601
Bissonnette A	$267,126
Black G B	$223,580
Black D R	$293,090
Blakley B W	$172,550
Blank A	$160,925
Blouw M C	$62,812
Blouw R H	$226,117
Blyth S	$247,213
Bock G	$80,449
Bohemier R E	$70,572
Bohemier Joel	$69,667
Bohemier Janelle	$52,093
Bohm E R	$243,461
Bolton D R	$246,004
Bookatz B J	$223,583
Booth F	$93,730
Booy H	$229,819
Borley J	$88,722
Boroditsky R S	$267,070
Borrett G F	$160,850
Botha A	$134,221
Botha D	$285,043
Boult I F (2)	$2,342,436
Bourque C N	$276,621
Boustcha E	$104,016
Bovell F M	$76,879
Bow E	$66,866
Bowman M N	$61,842
Boyd K L	$137,585
Bracken J	$193,667
Bracken J H	$206,399
Bradley B D	$253,443
Brandes L J	$112,351
Braun E	$187,860
Braun J	$174,782
Braun K Y	$70,144
Breckman D K	$296,917
Breckman G L	$116,898
Bretecher G	$408,996
Bright R C	$206,619
Bristow G K	$62,635
Broda R J	$184,844
Brodovsky D M	$82,370
Brodovsky S C	$491,555
Brooker G	$248,942
Brown R	$270,224
Brown R E	$306,047
Brownell L	$173,897
Bruneau M R	$200,112
Bryski L M	$60,391
Bshouty Z	$90,934
Buchel C	$57,163
Buchik G M	$88,834
Bueddefeld H D	$231,080
Buksak L A	$101,418
Bullock Pries K R	$99,428
Burke M E	$213,037
Burnell C D C	$258,437
Burnet N	$252,210
Burnett M	$304,999
Burnett Mairi	$120,763
Burtch D	$56,258
Butler N	$65,863
Calderon-Grande H E	$204,360
Calhoun L L	$123,679
Cameron A I	$126,575
Cameron M R	$300,297
Campbell B	$123,429
Campbell G	$215,761
Caners D	$325,708
Cannon J E	$221,418
Caplan A H	$248,266
Caplan D C	$178,265
Cappellani R B	$264,488
Carpenter N	$300,777
Carson J B	$205,232
Cartagena R A	$266,159
Carter R	$284,764
Casey A R	$184,361
Caulley E	$246,189
Cavallo D	$173,051
Chan K A	$424,911
Chan E K Y	$88,805
Chan E L	$193,395

Explanatory Notes:

(1) *Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).*

(2) *Director of a radiology facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 16 for list of facilities).*

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2004 ***(Continued)***

Chan J J	$299,196
Chan T	$200,562
Chan P	$107,418
Chapman S D	$348,872
Chapnick C	$128,015
Chatel N L	$158,896
Chenier P	$68,472
Chenier D	$52,255
Cheung L K	$399,614
Chin D	$725,972
Chlysta T S	$240,045
Cho P A	$260,319
Chochinov A	$57,939
Chochinov P H	$185,152
Chodirker B N	$111,443
Choptiany R B W	$181,860
Choptiany T I	$280,506
Chow C	$322,367
Christodoulou C C	$192,538
Chubaty R A	$245,588
Chudley A E	$79,495
Chung L	$513,671
Cisneros N	$54,609
Claassens C	$59,990
Clark M A	$125,051
Clark S M	$70,139
Clark S G	$186,345
Clayden G	$340,926
Cleghorn G M (2)	$403,782
Cleghorn S	$508,604
Coates K R	$290,278
Coetzee J I	$87,319
Coetzee F	$67,140
Coetzee M	$175,341
Cohen M	$288,472
Collison S	$104,797
Collison L M	$146,181
Collister C W	$287,419
Coneys M C	$110,653
Connor D	$387,353
Connor G T	$127,646
Consunji-Aranet R	$84,862
Corbett R P	$56,503
Corder D	$277,751
Cordova J L	$155,463
Corne R A	$82,463
Corne S I	$277,251
Corner F D	$82,166
Coueslan G W (2)	$833,900
Cowan D J	$312,549
Coyle S J	$198,692
Craig D	$211,633
Cram D H	$416,221
Craton N	$85,484
Crawford D	$197,551
Cristante L	$343,766
Cross R	$264,163
Crow F M	$71,199
Cumming G	$61,234
Cummings M L	$245,119
Cyr-Hornick A	$151,783
Czaplinski K	$260,240
Czaplinski J E	$167,536
Czarnecka M M	$165,754
Czarnecki W (1)	$448,398
Czaykowski P M	$74,125
Da silva L M	$241,997
Da silva H	$60,680
Dabrowska W B	$86,766
Dabrowski P T	$377,855
Dakshinamurti S S	$198,036
Dalling G N	$165,451
Dang T H	$281,211
Daniels J H	$194,810
Daniels V	$170,897
Danzinger R G	$82,870
Dashefsky S M	$379,363
Davey M	$243,272
Davey R J	$270,709
David M F	$308,653
Davidson J M	$480,337
Davis M O	$205,712
Davis M H	$321,614
Davloor R	$229,085
Day M	$54,399
De Cloedt T	$56,683
De Groot W	$64,086
De Klerk R R	$82,882
De Korompay V	$396,475
De Moissac P C	$172,580
De Rocquigny A J	$399,319
De Wet R R	$89,574
De Wit C F	$162,630
De Wit S L	$465,339
Dean H	$58,526
Debrouwere R G	$360,361
Decter D	$399,718
Dekker J J	$114,489
Delaive M	$258,150
Demsas H	$212,592
Deonarine L	$272,959
Deong P J	$240,417
Desmarais G P	$91,797
Desmond G H	$234,236
Deutscher R	$276,775
Dhalla S S	$927,686
Dhanjal P	$151,848
Diamond H D	$175,079
Dias E M	$139,153
Dionne C	$276,935
Dirks H T	$57,799
Dissanayake D	$234,149
Dittberner K	$127,942
Divekar A A	$75,924
Dizon A M	$129,006
Doak G J	$186,675
Doermer E	$273,704
Doerr J J	$277,146
Dolynchuk K N	$210,676
Dominique F	$260,202
Domke O	$158,294
Domke H	$233,358
Domke S	$207,042
Donnelly J P	$167,405
Doucet P M	$163,934
Downs A C	$258,959
Doyle J	$268,574
Doyle E	$91,582
Drachenberg D E	$275,371

Explanatory Notes:

(1) *Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).*

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Manitoba Health Services Insurance Plan
The Public Sector Compensation Disclosure Act
Schedule of Payments for Fiscal Year Ended March 31, 2004*(Continued)*

Drexler J	$258,315
Dreyer C	$59,223
Drobot G R	$107,818
Du Plessis N	$274,519
Du Plooy J	$265,949
DuToit L L	$110,271
Dubberley J	$232,992
Dubo H I	$195,351
Dubyna D	$353,216
Ducas D A	$76,596
Ducas J	$485,312
Ducheck D L	$61,667
Dueck D	$150,817
Duerksen C	$275,938
Duerksen M T	$251,458
Duerksen D R	$293,857
Duerksen F	$70,520
Duerksen K	$60,319
Duff B D	$116,666
Duffy G	$238,789
Duggal K C	$325,749
Duke P C	$145,485
Duncan S J	$255,809
Dupont J O (4)	$638,233
Duval R	$131,889
Dyck G H	$385,552
Dyck D R	$409,310
Eaglesham H (2)	$458,206
Ebbeling-Treon L	$159,987
Egan M M	$148,270
Eggertson D	$254,876
Ekins M B	$201,382
El-Gabalawy H S	$72,663
Eleff M K	$134,460
Elkin J	$251,490
Elkin M S	$263,873
Elkin M	$106,963
Elliott J	$127,182
Elves E	$344,894
Embil J M A	$236,183
Emery C	$221,509
Eng S	$221,705
Engel J S	$398,052
Engel C	$371,235
Engelbrecht J F	$166,514
Engelbrecht S	$213,653
Enns M W	$75,471
Enns J P	$404,027
Erhard P	$293,167
Eschun G M	$105,022
Esfahani F	$153,082
Esmail A	$380,613
Esquivel A	$205,240
Esser C M	$53,342
Ethans T	$98,971
Evans D R	$67,877
Evans M J	$73,676
Ewert F J	$313,810
Fair S E	$121,407
Falconer C W	$181,407
Fast H	$172,229
Fast M D	$477,284
Feasey D	$76,474
Feierstein M	$166,151
Fine A (3)	$2,033,320
Finney B A G	$94,237
Fishman L	$311,368
Fitzgerald M	$200,922
Fitzsimon J	$98,855
Fleisher M L	$88,009
Fleisher W P	$81,657
Fleming F L	$50,851
Fletcher C W	$232,620
Foerster D R	$252,463
Fogel R B	$87,780
Fong H	$604,932
Fontigny N J	$224,691
Fouad W	$60,167
Fougere G A	$70,150
Fourie T	$108,743
Fourie H	$156,163
Fourie C F	$121,814
Fox J D	$171,060
Frame H	$194,858
Francois J M G	$50,588
Fraser V H	$152,917
Fraser M B	$183,394
Fraser D B	$55,063
Frechette C	$76,708
Frederick D V	$55,462
Fredette P	$155,845
Freedman J I	$345,496
Friesen K L	$151,628
Friesen J	$322,229
Friesen R M	$245,154
Friesen F R	$293,966
Froese W	$328,557
Frohlich A M	$307,226
Fuchs G R	$285,471
Fung H	$159,839
Furuiye H	$90,140
Fuzeta G	$142,656
Gabriel M	$212,506
Galbraith P A	$50,249
Galessiere P F	$483,667
Gall R M	$266,786
Gallagher K	$109,566
Garba S	$358,689
Garber P J	$146,677
Garber L	$352,611
Gard M A	$167,156
Gard S	$218,008
Geddes J S	$113,723
Gerber J D W	$228,369
Gerstner T V	$246,637
Gertenstein R J	$363,101
Giannouli E	$149,774
Giesbrecht D R	$245,685
Giesbrecht J E	$157,349
Gildenhuys M M	$121,266
Gill E	$192,044
Gillespie B	$704,803
Gillespie J L	$172,764
Girard J	$293,324
Glacken R P	$251,599
Glenn D M	$103,298
Glezerson G	$458,295
Globerman D J	$157,015
Gobeil J J G	$108,737
Godlewski W	$476,706
Goerz P G	$126,300
Goldberg N	$258,854

Explanatory Notes:

(1) *Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).*

(2) *Director of a radiology facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 16 for list of facilities).*

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Manitoba Health Services Insurance Plan
The Public Sector Compensation Disclosure Act
Schedule of Payments for Fiscal Year Ended March 31, 2004 *(Continued)*

Goldenberg D	$354,808
Gomori A J	$177,949
Goodman A E	$72,307
Gooi T H	$481,092
Gooi T L	$761,657
Goossen M	$375,997
Gordon J	$332,464
Gordon W L	$127,624
Gorski B A	$524,728
Gould L F	$240,560
Govender P	$279,086
Goytan M J	$381,587
Grabowski J L	$258,032
Grace K J	$181,081
Graham K	$160,662
Graham M R	$169,847
Graham C R	$317,101
Graham R	$86,775
Graham B	$61,761
Grant L	$61,740
Graves D F	$111,364
Gray M G	$262,395
Grech E D	$247,167
Greenberg C R	$74,899
Greenberg H M	$120,427
Grenier D	$61,754
Griffin P	$229,066
Griggs G	$236,102
Grimbeek F	$75,368
Grimes R B	$123,438
Grobler W P	$205,319
Groenewald L H	$119,502
Groves L	$224,055
Gudmundson C	$237,322
Guijon F B	$209,383
Gupta D K	$675,184
Gupta C K	$359,581
Guzman R	$326,442
Gwozdecki T M	$313,232
Ha F T	$219,687
Ha M	$65,850
Haberman C J	$75,146
Haggard G G	$232,688
Hai M A	$271,912
Haiart D C	$325,368
Haligowski D	$186,075
Hall P F	$108,502
Hall A D	$153,611
Hall B A	$54,160
Hallatt D	$152,778
Hamedani R	$312,046
Hameed K A	$278,886
Hammond G W	$64,813
Hampton C S	$92,725
Hancock B J	$154,605
Hanks G A	$51,699
Hanlon-Dearman A C	$119,299
Hansen J G	$128,149
Harding G K M	$92,631
Hardy B	$275,892
Haresha A	$77,896
Harley M J	$196,818
Harms S	$274,092
Harrington J	$147,285
Harris P	$603,521
Harrison W D	$172,543
Hartley D M	$245,254
Hasan M	$59,391
Haseeb S	$79,203
Hassan W F	$169,812
Hawaleshka A	$238,234
Hayakawa T E	$395,313
Hayakawa J	$138,508
Haydey R P	$422,773
Hayward R J	$420,242
Hechtenthal N	$161,276
Hedden J R	$218,708
Hedden D R	$379,356
Heese H	$82,472
Heidenreich W	$154,647
Helewa M E	$344,045
Helms J B	$145,555
Henderson L P	$92,747
Henning J W	$195,163
Henry S F	$73,246
Herbst J H	$51,558
Herd A	$107,486
Hershberg D M	$178,545
Hershfield E S	$155,309
Heywood M	$363,907
Hiebert T	$74,452
Hildahl W	$51,986
Hildahl C	$268,236
Hilderman L	$124,890
Hildes Ripstein G E	$79,639
Hitchon C	$108,757
Ho K S	$53,447
Hobbs C L	$60,715
Hobson D E	$310,886
Hoeppner W T	$159,344
Hoeschen L	$90,773
Holder F	$252,966
Holland-Muter E	$202,998
Holmes C	$99,963
Holt S C	$176,795
Homik L	$535,581
Honiball J J	$92,368
Hooper W M	$299,581
Horne D	$281,838
Hosain P A	$54,355
Hosking D	$408,107
Houston D S	$65,418
Howden W A	$296,999
Hoy C S	$107,842
Hrabarchuk B	$245,820
Hudson R J	$93,218
Huebert H T	$219,121
Huebert D M	$376,965
Hughes P M	$181,621
Humphreys K M	$152,521
Hurst L D	$273,825
Husarewycz S	$350,122
Hussain M I	$535,461
Hutfluss G J	$279,502
Ibbitt C J	$208,029
Ilchyna D C	$220,048
Iliffe G D	$187,077
Ilnyckyj A	$118,373
Ilse W K	$197,228

Explanatory Notes:

(1) *Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).*

(2) *Director of a radiology facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 16 for list of facilities).*

(3) *Billings for Dialysis services representing the work of more than one physician. (See page 17 for list of facilities).*

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2004*(Continued)*

Ingimundson J C	$158,987	Kania J	$391,099	Klassen N F	$261,138
Inglis D	$304,560	Kanji R	$195,208	Klassen O	$134,271
Ingram P F	$157,703	Kantor D	$66,455	Klassen D H	$168,181
Intrater H	$323,840	Kaprowy R	$196,596	Kliewer K	$193,840
Ip A	$261,997	Karlicki F	$405,495	Klippenstein N L	$412,805
Iqbal B	$50,125	Karpinski M E	$123,288	Kloppers S	$124,122
Irving J E	$313,321	Karvelas J	$163,446	Kloppers A A	$164,360
Isaac C	$174,620	Kashour T S	$398,269	Klym K L	$79,608
Isaacs R L	$194,191	Kasper K D	$176,326	Klym K	$241,724
Israels S J	$53,224	Kassier K	$369,132	Kobrinsky N	$53,538
Jacob V C	$755,805	Kati A A	$195,170	Koczanski R	$148,078
Jaeger C	$166,514	Katz P	$151,434	Koh C	$118,540
Jain N K	$62,776	Katz L	$155,970	Kohanek F L	$61,224
Jain M	$486,842	Kaufman R	$113,922	Kolakowski A A	$53,536
James J M	$326,197	Kaufman B J	$88,544	Kolt A M	$92,163
Janzen L	$103,807	Kaushal R D	$186,998	Komenda B W	$225,509
Jason M	$300,336	Kayler D E	$448,911	Komosky J	$159,908
Jebamani S	$155,906	Keddy-Grant J	$129,729	Kong A M C	$226,560
Jeffery J R	$87,819	Kehler T	$77,814	Koodoo S R	$204,831
Jensen W L	$150,188	Kelleher B E	$204,474	Korol G	$468,420
Jensen B	$66,731	Kellen P	$170,453	Kotecha Y	$300,986
Jeyakumar A S	$319,942	Kellen R I	$454,446	Koulack J	$471,847
Johannesson T	$104,193	Kemkaran K	$144,349	Kousonsavath R	$150,334
Johnson H	$114,668	Kepron W	$175,976	Koven S	$157,092
Johnson E	$363,223	Kerr L	$74,172	Kovnats S	$64,630
Johnson C	$197,482	Kerr P D	$302,520	Kowalchuk I J	$268,614
Johnson D	$394,722	Kettner A	$147,964	Kowalski S	$205,265
Johnson M G	$333,974	Khan N M	$299,659	Kozman H	$198,761
Johnston J B	$133,177	Khan A	$154,981	Krahn M	$102,817
Johnston J L	$96,956	Khan T A	$211,594	Krahn C	$254,742
Jolly K S	$387,887	Khan A H	$257,351	Krahn J	$295,515
Joshi J N	$261,528	Khan N A	$103,607	Kraitberg N J	$144,742
Joshi D A	$111,267	Khandelwal A S	$253,577	Kramer M	$90,348
Joshi C N	$62,994	Khelil A I	$57,365	Kraut A	$67,245
Joundi M G	$272,680	Khusi S	$62,012	Kredentser S	$176,150
Jovel R E	$144,331	Kimelman A L	$93,037	Kredentser J	$145,899
Jowett A	$256,688	Kindle G F	$197,817	Kremer S	$76,622
Junaid A	$82,499	Kinnear D	$253,993	Kreml J	$228,117
Kabani A M	$165,735	Kinsner J M	$140,066	Krepart G	$227,751
Kaethler W	$234,578	Kippen R N	$276,091	Kroczak T J	$265,476
Kahanovitch D	$200,148	Kish S L	$176,161	Kroeker M A (2)	$1,991,379
Kaita K D E	$173,174	Kisil D	$58,235	Kroeker L R	$333,864
Kalansky G	$201,757	Kjernisted K D	$134,436	Kroft C D L	$83,567
Kalicinsky C	$222,470	Klaponski S	$77,043	Krongold I (2)	$1,102,309

Explanatory Notes:

(1) *Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).*

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Manitoba Health Services Insurance Plan
The Public Sector Compensation Disclosure Act
Schedule of Payments for Fiscal Year Ended March 31, 2004 *(Continued)*

Kruk R D	$267,193	Lee F F W	$309,960	Loepp C	$132,510
Kryger M	$170,062	Lee S	$463,729	Lofgren S R	$111,683
Krzyzaniak K M	$174,217	Lee T W	$260,030	Logan A C	$438,667
Kucheravy M	$56,246	Lee T J	$119,332	Loiselle J A	$269,754
Kucparic P	$190,034	Lee H B	$333,170	Long A L	$903,107
Kuegle P F X	$245,925	Lee-Kwen J	$316,651	Longstaffe S	$131,195
Kumar A	$230,925	Lee-Wing M W	$411,681	Longstaffe A E	$235,605
Kwon M	$116,603	Leen D A	$316,816	Lotocki R J	$356,713
Kyeremateng D	$247,961	Lefevre G R	$245,488	Loudon M	$162,583
Labella L	$98,021	Lei B T C	$245,228	Louridas G	$427,006
Lage K L	$129,821	Leicht R	$690,963	Lowden C S	$289,135
Lagowski M C	$265,323	Lemoine G G	$238,485	Lowther G H	$70,040
Lam D S C	$113,028	Lemon P W	$288,742	Lu P B	$160,073
Lam C C	$133,101	Lerner N	$224,255	Lucash S E	$155,921
Lamb J A	$94,293	Leslie H	$50,463	Lucman T S	$193,141
Lamba K S	$95,306	Leung W M	$133,176	Lucman L L (1)	$1,510,594
Lambrechts H	$218,545	Leung Shing L P	$217,959	Lucy S	$301,549
Lander D A	$68,500	Levesque J	$52,781	Ludwig L	$131,733
Lander M	$92,862	Levi C S	$361,215	Ludwig S	$148,679
Lane M A	$75,238	Levin H	$251,528	Luitingh U	$190,135
Lane E S	$195,218	Levin B L	$336,390	Luk T L	$223,541
Lang C	$298,571	Levy S B	$186,601	Lukie B J	$253,810
Langan J T	$308,017	Lezack J D	$310,586	Lynch J M	$50,065
Langridge J K	$235,498	Li W	$148,740	Lyons E A	$433,758
Large G	$208,327	Lieberman D K	$202,701	Lysack D A	$130,830
Larue L B	$183,710	Lim D S T	$69,370	Lysack A M	$304,515
Lategan B	$224,815	Lim P	$127,539	Lyttle D	$134,382
Latosinsky S	$171,552	Lim F	$229,781	Mabin D	$318,887
Lau Y	$260,605	Lindenschmidt R	$277,294	Macdiarmid A L	$129,536
Laurencelle R	$60,921	Lindquist L (2)	$416,801	Macdonald P	$323,877
Lautatzis M (2)	$487,446	Lindsay D	$63,373	Macdonald N	$189,903
Lavallee B	$55,947	Lindsay D J	$506,049	Macdougall G	$310,723
Lawrence P H	$277,210	Lindsay G M	$253,736	Macdougall E	$104,032
Lazar M H	$263,280	Lint D W	$72,521	Macdougall B	$133,559
Le Roux B J	$514,526	Lipinski G	$257,100	Maceachern N	$283,902
Le Roux C	$71,217	Lipnowski S	$446,562	Macek R K W	$170,156
Leader E	$52,790	Lipschitz J	$408,973	Macfarlane C	$249,604
Lebedin W W	$306,118	Lipson A H	$170,449	Macintosh E L	$212,581
Leboldus L A	$190,178	Littleford J A	$279,501	Mackalski B A	$263,939
Lecuyer N S	$130,041	Lloyd R L	$122,153	Mackay M J	$72,767
Lee G Q	$152,326	Loader K	$214,181	Mackay Michael J	$91,284
Lee J J Y	$392,805	Lockman L E	$385,014	Mackenzie G S	$240,819
Lee V K	$387,705	Lodewyks G A F	$82,073	Mackenzie S K	$81,290

Explanatory Notes:

(1) *Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).*

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2004*(Continued)*

Macklem A K	$308,045
Macleod B A	$172,708
Macmahon R	$238,791
Macmillan M B	$226,786
Macrodimitris A G	$181,451
Magerman E W	$141,213
Maguire D	$378,623
Maharaj C	$144,681
Maharaj G R	$220,402
Maharaj I G	$354,582
Mahay R K	$421,179
Maia E	$67,621
Maier R J	$120,456
Maier J C	$218,279
Major P	$610,819
Maksymiuk A W	$102,062
Malabanan E	$336,117
Mallick B	$133,980
Mallick K C	$118,155
Manishen W J	$202,690
Manness R C	$164,316
Manswell C B	$223,351
Manusow D	$291,526
Marais F	$132,242
Marantz J	$108,558
Mare A C	$271,098
Margolis N	$235,251
Marles S L	$52,132
Marsh D W	$170,573
Martens M D	$57,496
Martens R	$220,884
Martens Barnes C	$99,598
Martin D	$91,253
Martin A G	$55,436
Marx T	$234,438
Matas M	$141,014
Mathen M K	$581,119
Mathieson A L	$257,469
Mathison T L	$183,846
Matsubara T K	$279,323
Matthew T	$318,674
Maxwell I	$226,682
Maxwell B	$69,473
Mayba I I	$184,512
Mayba J I	$432,163
Maycher B	$287,938
McCammon R J	$150,446
McCarthy G F	$589,781
McCarthy T G	$419,948
McClarty B	$278,010
McConnell M	$267,900
McCullough D W	$119,169
McCusker P	$62,144
McDonald H D	$130,189
McDowell J D	$193,834
McGinn G	$550,767
McGowan A	$97,599
McIntyre I L	$161,469
McKenzie T	$295,753
McKiernan B	$332,791
McNeill A M	$192,530
McPhee J	$131,734
McPherson J A M	$197,478
McTaggart D L	$136,454
McTavish G	$214,051
Mehta P G	$348,209
Mehta A	$155,186
Mellon A M	$198,434
Menard S L	$198,199
Menticoglou S	$341,790
Menzies R J	$411,049
Mercier N	$138,005
Meredith M J	$117,091
Mestdagh B E	$84,900
Meyer A	$61,259
Meyrowitz D	$333,352
Mian M T	$251,798
Micflikier A B	$1,154,252
Mihalcioiu C	$84,473
Milambiling E M	$271,646
Milambiling L C	$173,066
Millar T	$73,483
Miller A	$325,008
Miller D M	$292,845
Mills B J	$173,558
Milner J F	$496,271
Milner T G (1)	$1,138,705
Mina M M F	$158,700
Minish T M	$65,792
Mink S	$59,404
Minnaar J	$227,968
Minuk E	$164,265
Minuk G	$84,932
Miranda G	$61,520
Mis A A	$358,453
Miskiewicz L M	$87,973
Moddemann D	$127,187
Mohamdee J F	$167,369
Mohammed I	$262,493
Moharib N	$74,687
Moller E E	$56,361
Moltzan C	$132,769
Momoh J T	$338,264
Moncek J A	$288,950
Monson R C	$301,625
Monteiro G E	$322,344
Montgomery P	$117,332
Montoedi J	$226,205
Moolman A	$62,445
Mooney W R	$175,770
Moorhouse J A	$137,123
Moraes F X N	$114,234
Moran De Muller K	$383,672
Morgan T R	$345,650
Morier G S	$96,817
Moroz S P	$79,462
Morris G S	$223,732
Morris M	$210,205
Morris A L	$223,044
Morton P G D	$121,560
Moser M A	$212,201
Mostert F	$181,886
Mould S M	$201,634
Mowat G	$148,286
Mowchun L	$64,962
Mowchun N	$168,912
Muirhead B	$237,856
Muller T	$174,949
Muller J G	$81,100
Muller Delgado H A	$294,969
Muncner P	$227,341
Muncner A	$90,768

Explanatory Notes:

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2004 ***(Continued)***

Murphy L J	$148,459
Murray K	$515,857
Murray E	$121,879
Muruve G N	$270,419
Mutch W A C	$158,033
Myers W E	$389,269
Mymin D	$123,883
Mysore M (1)	$240,095
Nagaria M	$75,765
Naidoo J (1)	$8,015,473
Naidoo S P (1)	$3,976,815
Nair U K	$329,782
Narrandes R	$311,345
Narvey E B	$52,430
Nason R W	$275,882
Naugler S	$253,217
Navaratnam S	$52,954
Nehra P	$183,765
Nel A J	$211,030
Nelko S	$68,583
Nell A M	$327,953
Nemeth P	$268,993
Nepon J	$256,186
Neufeld H	$106,382
Newman F	$222,121
Newman S	$76,481
Nguyen M H	$274,140
Nguyen K M	$215,693
Nguyen L	$303,008
Nicolle L E	$92,396
Nigam R	$286,639
Nkosi J E	$172,060
Noel C	$486,643
Nugent L M	$190,536
Nyhof H	$269,365
Nyomba B L	$104,836
O'hagan D B	$262,438
O'keeffe K M	$177,045
O'sullivan M J	$295,755
Ochonska M	$351,797
Oelofse W	$277,283
Oen K G	$58,252
Olson R L	$190,153
Olweny C L	$66,547
Olynyk F	$109,309
Omelan C K	$106,685
Omichinski L M	$315,618
Ong G H	$327,625
Ong B Y	$235,203
Onotera R	$233,619
Onyshko D J	$240,154
Ormiston J D	$264,478
Orr P	$90,771
Osler F G	$226,619
Pachal C A	$159,152
Pacin A	$186,170
Pacin S	$134,517
Pacin O	$223,807
Padeanu D	$154,735
Padua R N	$281,154
Paetkau D	$271,087
Pan A	$114,997
Panaskevich T	$331,196
Pang E G	$146,962
Paprocki I	$264,882
Paquin R W (2)	$886,066
Parham S M	$275,456
Parker K R	$247,731
Partridge G	$52,745
Pascoe E A	$451,554
Pasterkamp H	$95,905
Patel S P	$94,708
Patel Praful C	$472,168
Patel Pravin C	$386,746
Patel S V	$168,823
Patel R C	$345,383
Patel L R	$306,509
Patel J	$102,000
Pawlak J	$117,500
Peabody D	$126,496
Peachell J L	$701,943
Pearlman D	$75,737
Pelissier R	$81,817
Penner S B (3)	$746,855
Penrose M	$250,411
Perlov J	$116,411
Permack S	$225,077
Perrett M	$85,060
Peschken C	$69,431
Peterdy A E	$272,403
Peters H O	$160,163
Peters D	$301,877
Peters R J	$126,088
Peters H	$54,438
Peterson J	$250,652
Peterson C	$127,768
Petkau A	$131,034
Petrilli L A	$95,811
Philipp R K	$489,235
Pickard K	$143,162
Pickering B	$317,672
Pierce G W (2)	$913,148
Pilat E J	$198,327
Pillay P G	$214,065
Pinder M	$196,104
Pinette G D	$97,554
Pinniger G W	$137,327
Pinter A	$228,838
Pintin-Quezada J	$286,288
Pirzada M A	$122,947
Plueschow M	$50,596
Podolsky G R	$145,638
Poettcker R J	$217,385
Polimeni J O	$132,247
Polimeni C	$107,936
Pollock B	$311,978
Poon W W C	$188,878
Poplak T M	$333,152
Postuma R	$172,632
Potoski J P	$308,413
Prakash D	$256,488
Prasad B	$168,701
Prenovault J	$333,365
Pretorius A	$297,529
Pretorius L L	$124,429
Price J	$258,226
Prinsloo J	$153,177
Pritchard P	$67,826
Prober M A	$160,458

Explanatory Notes:

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2004***(Continued)***

Prodan O	$158,465
Psooy K J	$120,261
Putnins C	$184,532
Quesada R	$257,082
Raabe M A	$601,919
Rabson J L R	$860,033
Racette T	$96,169
Rafiq M	$212,980
Rahman M	$188,485
Raizen M	$74,314
Rajani K R	$429,057
Ramaya S	$198,208
Ramgoolam R	$368,434
Ramsay J A	$73,883
Raubenheimer J P	$203,901
Regehr J	$178,426
Rehal R S	$277,469
Rehsia D	$673,606
Reid G	$165,432
Reid G J	$180,148
Reimer D K	$127,819
Reimer M B	$218,599
Reimer H	$257,997
Reimer D J	$314,923
Reiss J P	$54,189
Rempel R G	$87,428
Rennie W R J	$144,269
Renouf F	$229,260
Reslerova M	$80,936
Reyneke A	$304,977
Reynolds D	$134,795
Rice P	$148,034
Rich A D	$252,382
Richardson C J	$189,818
Riche B (3)	$411,456
Ridley T S	$60,693
Ringaert K	$226,416
Riordan P	$94,657
Ripstein I	$116,310
Ritchie B A	$264,948
Ritchie J	$138,418
Rittenberg D	$244,434
Rittenberg P V C	$55,540
Rivkin B	$56,779
Roberts J R	$238,643
Robertson G A	$314,885
Robillard S C	$115,905
Robinson W	$161,998
Robinson D B	$165,066
Robinson D J	$202,652
Robinson J	$365,365
Robinson C C	$184,639
Rocha G	$676,138
Roche G	$187,555
Roe B E	$122,785
Rogozinska L	$391,147
Rosario R	$52,642
Rosenthal P	$120,484
Ross F K	$84,613
Ross F J (1)	$202,590
Ross J F	$561,347
Ross L L	$102,019
Rosser S J	$58,715
Rossouw J	$195,596
Rothova A	$197,039
Roussin B C	$216,743
Roux J G	$202,050
Roy M	$137,032
Roy M J	$144,144
Rubinger M	$89,343
Ruddock D L	$269,266
Rumbolt B R	$276,738
Rusen J B	$245,177
Rush N O S	$153,012
Rush D N	$76,451
Rusnak B	$241,737
Russell B F	$202,859
Rust G	$63,862
Rutherford B E	$74,050
Ryckman B A	$245,857
Saad N	$75,549
Saadia R	$152,443
Sabeski L M	$290,268
Sachdeva R K	$248,622
Sadri D	$243,311
Saettler E	$108,507
Sahota S S	$154,774
Salamon E	$398,027
Salem F	$386,988
Sam D X	$100,082
Samuels E R	$105,694
Sanders R W	$108,021
Sandhu S S	$56,407
Sareen J	$89,956
Sarlas E	$61,245
Saunders K (2)	$140,091
Saunders C G	$1,221,971
Savage B	$219,876
Sawchuk J P	$101,896
Sawka A N	$65,263
Sawyer J A	$243,274
Saxena A	$54,004
Scatliff J	$255,713
Schachter M A	$124,684
Schaeffer D	$62,415
Schaub J C	$96,386
Scheeres J J	$70,040
Schellenberg D	$115,651
Schellenberg W C	$297,433
Schmidt B J	$72,175
Schneider C E	$232,498
Schoeman A M	$77,216
Schoeman H	$272,604
Schroeder A N (1)	$278,138
Schur N K	$274,963
Schurmann E	$255,681
Scott J	$133,348
Scurrah J D	$276,482
Seager M J	$445,861
Segstro R J	$249,059
Seifer R	$84,462
Seifer C M	$80,123
Seitz A R	$217,875
Sellers E	$50,700
Sen R	$148,668
Senderewich E C	$85,438
Sethi S	$353,186
Sethi K	$111,032
Sevilla J A	$100,676
Sewell G	$127,016
Shah A	$214,862
Shah J A	$72,612

Explanatory Notes:

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Manitoba Health Services Insurance Plan
The Public Sector Compensation Disclosure Act
Schedule of Payments for Fiscal Year Ended March 31, 2004 ***(Continued)***

Shah N	$60,226	Sloan G	$183,199	Sud A K	$520,794
Shah B	$295,680	Smart J R A	$238,925	Susser M	$176,574
Shaikh N	$103,333	Smil E	$181,417	Sutherland S	$236,633
Shane M	$305,311	Smit C R	$110,606	Sutherland E N	$247,126
Sharif M N	$372,918	Smith H W E	$456,679	Sutherland D E	$179,385
Shariff F K	$145,823	Smith R W	$231,941	Sutherland J G	$142,464
Sharkey J B	$357,586	Smith L F	$166,345	Sutter J A	$251,055
Sharma S	$183,101	Smith R G	$187,106	Sutton I R	$318,179
Shelton P A	$138,531	Smith D D	$129,848	Svorkdal N J	$292,643
Shelton L	$130,846	Sochocka E K	$337,351	Swain V J	$55,249
Shepertycky M R	$97,320	Sokal J E M	$124,584	Swartz J	$237,063
Sheps M	$182,153	Soko P	$80,685	Sweetland R	$91,673
Sheridan J T	$124,326	Sokolowski D	$260,144	Swenarchuk G	$60,519
Shiffman F H	$328,089	Sommer H M	$145,928	Sylwestrowicz W	$212,213
Shnider M	$217,743	Soni N R	$175,372	Symchych M	$51,081
Shojania A M	$143,125	Soni S D	$248,345	Syslak W B	$335,024
Shuckett P	$326,700	Spanihel J J	$62,799	Szajkowski S	$218,780
Shum K C	$153,073	Speer M	$191,223	Tadros I	$52,113
Shunmugam R	$428,608	Srichandra W	$226,175	Tam J W	$90,818
Sickert H G	$85,882	St John P D	$104,509	Tan L	$305,721
Sigurdson E	$85,628	St Vincent A	$216,754	Tang-Wai R	$366,320
Sikora F J	$213,056	Stanko L	$313,277	Tanner J	$261,695
Silagy S	$289,883	Starzecki B	$217,195	Taraska Victoria	$285,586
Silver N A	$140,583	Stearns E	$299,433	Taraska V	$548,709
Silver S	$295,613	Stecher R D	$156,967	Targownik L E	$88,930
Silverman R E	$245,252	Stedman N	$54,089	Taylor S N	$372,336
Silviu-Dan F	$199,678	Steigerwald R	$123,961	Taylor M C	$172,993
Simard-Chiu L A	$59,496	Steinberg F	$59,429	Taylor H R	$337,053
Simm J F	$200,265	Steinberg R J	$134,066	Taylor P D	$55,824
Simmonds C B	$115,535	Stelzer J	$166,968	Tenenbein M	$212,695
Simonson D W	$165,999	Stenhouse J K	$120,844	Theodore G M	$252,426
Singer M	$127,968	Stephensen M C	$228,602	Therrien D J	$79,067
Singer R	$160,952	Stevens L	$308,381	Thiessen M N	$205,570
Singh J	$137,070	Steyn E	$92,332	Thiessen R J	$50,181
Singh M	$252,720	Steyn C C	$60,249	Thille S M	$88,847
Singh G B	$453,922	Stillwater R B	$155,870	Thompson T R	$174,515
Singh A	$273,279	Stimpson R	$74,045	Thomson G T D	$258,145
Sinha S N	$534,218	Stitt R L	$51,686	Thomson I R	$284,439
Sinha M	$371,112	Stitz M	$119,749	Thorlakson R H	$62,767
Skakum K K	$128,659	Stockl F A	$626,484	Thorlakson D	$106,328
Skakum R	$75,487	Stone J D	$275,399	Thottingal A P	$181,270
Skead L	$328,639	Storoschuk G W	$197,998	Ting D	$121,144
Skoracki R J	$240,252	Suciu V	$238,968	Tober A E	$108,277

Explanatory Notes:

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2004***(Continued)***

Tobia M H	$100,938
Toews K A	$116,821
Toews H A	$164,958
Tole G D	$58,472
Tomchuk E	$326,019
Tomy P	$277,748
Tomy H	$88,184
Toole J	$361,732
Trainor J M (1)	$5,860,071
Tran C P	$275,017
Trepman E	$84,522
Tsang D	$356,284
Tsang K F M (1)	$189,555
Tse W C	$209,773
Tsuyuki S H (2)	$466,873
Tulloch H V	$181,005
Turabian M	$254,359
Turner R B	$411,768
Turner D R	$392,181
Ullyot G L E	$242,234
Ullyot S	$236,755
Unruh H W	$353,843
Uys T	$223,421
Uys G	$208,118
Vajcner A F	$310,510
Van Alstyne M	$338,768
Van Ameyde K	$129,225
Van Dyk J	$124,497
Van Gend R	$223,949
Van Heerden J	$204,054
Van Horne W A	$233,397
Van Jaarsveldt W	$332,160
Van Niekerk S	$68,661
Van Niekerk E	$211,555
Van Rensburg C J	$216,544
Van Rensburg P D J	$300,451
Van Rensburg D A J	$355,579
Van Rensburg N J	$169,918
Van Rensburg N	$260,738
Van Rooyen M L	$332,523
Van Rooyen G	$258,684
Van Zyl L	$167,329
Vandenberg W L	$230,508
Varma A	$366,265
Vasconcelos J A	$266,190
Vattheuer F B	$172,302
Venter H L	$185,844
Verbeek R O	$90,728
Verma M R	$204,652
Verrelli M	$89,562
Vianzon C S	$313,989
Vickar E L	$209,041
Vijay R	$254,696
Violago F	$217,844
Vipulananthan V	$65,305
Vipulananthan M	$69,657
Visch S H R	$109,696
Visser G	$281,999
Visser H B	$69,974
Voyer D	$54,412
Wakeman M S	$86,494
Waldman J C	$113,625
Wallace S E	$157,959
Walli J E	$350,502
Wang J	$344,421
Warda L J	$85,818
Warren C P W	$200,890
Warrian W G	$76,692
Warrian R K	$361,837
Warrington R	$192,975
Waters W R	$209,640
Watson J D	$113,214
Watson W T A	$172,257
Webb S	$122,354
Weidman M L	$257,886
Weirich M K	$285,880
Weizman S	$232,773
Welch G J	$146,857
Werier J	$254,041
White S	$63,360
White B K	$199,152
White I W C	$259,109
White O J	$351,315
White V P	$53,151
Whittaker E	$84,307
Wiens A V	$317,564
Wiens J L	$508,970
Wiens J J	$500,354
Wiesenthal B D	$141,587
Wiesenthal Z	$210,648
Wightman H R (1)	$3,495,335
Wightman N A	$175,178
Willemse P Q	$57,324
Willemse P	$690,262
Willows J R	$141,741
Wilson M (2)	$554,010
Wilson G J	$102,342
Wilson G P	$267,348
Winistok W	$85,914
Winogrodzka C	$220,369
Winzoski T	$64,107
Wirch M F	$122,617
Wiseman N	$312,622
Wiseman M C	$188,035
Wiseman D G H	$190,731
Woelk C	$206,100
Wolfe K B	$196,095
Wollner G P	$217,267
Wong S W C	$416,432
Wong R P W	$198,097
Wong T	$137,983
Wong H	$232,448
Wong S G	$131,956
Woo N	$295,146
Woo C	$255,623
Woo V C	$382,881
Woods A K	$202,769
Woolf C I	$70,289
Wozney L R	$134,159
Yaffe C	$463,381
Yamamoto K	$289,691
Yamsuan M	$255,576
Yanofsky R	$63,437
Yaren S	$115,629
Yeung C	$312,321
Yip B	$227,790
Young M R	$212,936
Young D	$202,217
Yuen C K	$332,271
Yung G S	$51,713
Zacharias G W	$234,923
Zacharias J	$94,008

Explanatory Notes:

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Manitoba Health Services Insurance Plan
The Public Sector Compensation Disclosure Act
Schedule of Payments for Fiscal Year Ended March 31, 2004 ***(Continued)***

Zaki M F	$279,993
Zeiler F	$392,367
Zetaruk M	$90,804
Ziesmann M	$644,418
Zimmer K W	$205,567
Zloty R B	$66,383
Zurbyk R	$58,564

Explanatory Notes:

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2004 ***(Continued)***

Laboratory Directors and Facilities

Czarnecki W	Manitoba Clinic
Lucman L	Provencher Medical Diagnostic Laboratory
	Winnipeg Clinic
Mysore S M	Abbott Clinic
Naidoo J	Central Medical Laboratory
Naidoo S	Southwood Laboratory
	Unicity Lab Services-McPhillips Street
Ross F J	Park West Medical Centre
Sachdeva P	Hollenburg Associate Medical Group
	Abbot Clinic
	75045 Manitoba Ltd. (Osborne Med)
Schroeder A N	15-2727 Portage Ave
Taylor M J S and Milner T G	Western Medical Clinic
	The Brandon Clinic
Trainor J M	Medical Arts Building
	Windsor Park Medical Centre
	Lakewood Medical Centre
Tsang K F M	Norlyn Lab Service
Wightmann H R	Assiniboine Clinic Lab

Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2004*(Continued)*

Radiology Directors and Facilities

Brooker G	Abbott Clinic
Boult Ian F	Winnipeg Radiology Consultants - Medical Arts Building
	Winnipeg Radiology Consultants - Charleswood Clinic
	Winnipeg Radiology Consultants – Markham Professional Centre
Cleghorn G M	Lakewood Medical Centre
	McGreggor Medical Centre
	Westbrook Medical Centre
	Mall Medical Group
Coueslan G W	The Brandon Clinic
	Clement Block Xray
Dyck D R	Boundary Trails Health Centre
Eaglesham H	Manitoba Xray Clinic - Elmwood Branch
	Manitoba Xray Clinic – Westwood Portables
	Hollenberg Associates Medical Group
Kroeker M A	Manitoba X-Ray Clinic - MRI
	Manitoba X-Ray Clinic - Tache Branch
Krongold I	Kaprowy & Associates Drs.
	Assiniboine Clinic
	Seven Oaks Medical Centre
	Norlyn X-Ray Lab
Lautatzis M	Boyd X-Ray Clinic
	Legacy X-Ray
	Seven Oaks X-Ray Clinic
Lindquist L	Linquist Medical Corporation-Radiology Consultants of Wpg
	Winnipeg Clinic
Major P	Paul A Major Medical Corporation- Radiology Consultants of Wpg
Paquin R W	Transcona Clinic Xray
	Metro Xray Clinic – Rothesay
	Metro Xray Clinic - McPhillips
Pierce G W	Manitoba Xray Clinic - Westwood Branch
	Silver Heights Medical Clinic
Saunders C G	Diagnostic Services Division
	Manitoba X-Ray Clinic
Tsuyuki S H	St. Boniface Clinic
Wilson M	Manitoba X-Ray Cinic – Misericordia Care Centre

Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2004 ***(Continued)***

Dialysis Directors and Facilities

Allan, D R & Penner, S Brian	Health Sciences
Bernstein K	Health Sciences Centre & Seven Oaks
Fine A	St. Boniface General Hospital
Riche, B	Brandon General Hospital
Zacharias, J	**Local Centres** Dauphin General Hospital Flin Flon General Hospital Lakeshore General Hospital Morden Hospital Norway House Hospital Pine Falls Hospital Portage la Prairie Hospital Selkirk General Hospital The Pas Health Complex Thompson General Hospital

Nuclear Medicine Directors and Facilities

Dupont J O	Nuclear Medicine Consultants Winnipeg Clinic – Nuclear Medicine St. Boniface Hospital- Nuclear Medicine

THE MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. These principles have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to June 9, 2004.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to properly safeguard assets of the Authority.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

Gary Gibson
Director - Capital Markets

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Members of The Manitoba Hospital
Capital Financing Authority

We have audited the balance sheet of The Manitoba Hospital Capital Financing Authority as at March 31, 2004 and the statement of revenue and expense for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 9, 2004

THE MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY

Balance Sheet
as at March 31, 2004

ASSETS	2004	2003
Current assets		
Accrued interest	$ 660	$ 2,792
Current portion of investments	13,000	42,000
	13,660	44,792
Investments, at cost, Schedule 1	-	13,000
	$ 13,660	$ 57,792
LIABILITIES		
Current liabilities		
Accrued debenture interest	$ 660	$ 2,792
Current portion of debentures payable (Note 3)	13,000	42,000
	13,660	44,792
Debentures payable, Schedule 2	-	13,000
	$ 13,660	$ 57,792

THE MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY

Statement of Revenue and Expense
for the year ended March 31, 2004

	2004	2003
Revenue		
Interest earned on investments	$ 5,362	$ 11,084
Expense		
Debenture interest	5,362	11,084
	$ 0	$ 0

THE MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY

Notes to Financial Statements
March 31, 2004

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1. Nature of the Authority

The Manitoba Hospital Capital Financing Authority was established by The Hospital Capital Financing Authority Act in June 1972. The objectives of the Authority are:

i) to approve the issuance of securities for capital expenditure by operators of health care facilities,

ii) to assist such operators by ensuring an orderly market for the sale of securities issued by health care facilities, and

iii) to purchase securities issued by health care facilities with money borrowed by the Authority where the health care facilities could not trade their securities on the open market.

Health care facilities include hospitals, non-profit personal care homes and other designated health care related service institutions.

2. Accounting Policy

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

3. Investments and Debentures Payable

The Authority's investments in health facility debentures are entirely offset by debentures issued by the Authority to Government Agencies.

Principal repayment on debentures payable remaining are as follows:

2005	$ 13,000

4. Financing Approvals

The Authority approved $86.7 million in long-term financing agreements made directly between the Province of Manitoba and various health care facilities during 2003-04 ($83 million in 2002-03).

5. Contributed Services

The Province of Manitoba provides administrative services at no charge to the Authority.

6. Statement of Cash Flows

These financial statements do not include a Statement of Cash Flows. In the opinion of management, the Statement of Cash Flows does not provide additional disclosure.

THE MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY

Schedule of Investments
as at March 31, 2004

	Interest Rate (%)	2004	2003
Serial debentures issued by:			
Selkirk Linen Services Inc.	13.625	$ 13,000	$ 55,000
Total Investments		13,000	55,000
Less: Current portion		13,000	42,000
Investments		$ -	$ 13,000

THE MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY

Schedule of Debentures Payable
as at March 31, 2004

Series Number	Interest Rate (%)	Year of Maturity	2004	2003
5A	13.625	Nov. 15, 2004	$ 13,000	$ 55,000
Total debentures payable			13,000	55,000
Less: Current portion (Note 3)			13,000	42,000
Debentures payable			$ -	$ 13,000

MANAGEMENT REPORT

The accompanying financial statements of The Manitoba Housing and Renewal Corporation are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to November 1, 2004.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of The Manitoba Housing and Renewal Corporation are properly safeguarded.

The responsibility of the Office of the Auditor General of the Province of Manitoba is to express an independent, professional opinion on whether the financial statements of The Manitoba Housing and Renewal Corporation are fairly presented in accordance with the accounting policies stated in the notes to the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

Henry Bos, Director, Corporate Services

Kim Sharman, Assistant Deputy Minister

November 1, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Housing and Renewal Corporation

We have audited the balance sheet of The Manitoba Housing and Renewal Corporation as at March 31, 2004 and the statements of operations, The Manitoba Housing and Renewal Fund Deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
November 1, 2004

THE MANITOBA HOUSING AND RENEWAL CORPORATION
BALANCE SHEET
MARCH 31, 2004

ASSETS

	2004	2003
Cash (note 5)	$ 82,151,251	$ 89,178,758
Accounts receivable and accruals (note 6)	26,848,052	20,765,428
Loans and mortgages receivable (note 7)	165,873,300	169,879,871
Investment in land and housing:		
Housing projects (note 8)	85,214,161	92,295,202
Housing investment (note 9)	2,252,901	2,589,574
Land development costs (note 10)	2,649,591	1,716,523
Land (note 11)	12,198,560	11,946,190
	102,315,213	106,547,489
	$377,187,816	$388,371,546

LIABILITIES AND FUND BALANCE

	2004	2003
Accounts payable, holdbacks and accruals	$ 37,332,260	$ 31,964,538
Provision for modernization and improvement	-	7,328,589
Deferred revenue (note 12)	2,241,123	2,244,224
Long-term debt (note 13)	520,405,850	532,239,841
Risk reserve fund (note 14)	12,029,230	14,285,533
Deferred contributions (note 14)	52,214,530	48,121,888
The Manitoba Housing and Renewal Fund Deficit	(247,035,177)	(247,813,067)
Contingencies (note 23)		
Commitments (note 24)		
Guarantees (note 25)		
	$377,187,816	$388,371,546

Approved by the Board of Directors:

Director

Director

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2004

	2004	2003
Revenue:		
Grants from the Province of Manitoba (note 15)	$ 30,822,960	$ 25,692,948
Contributed services (note 16)	2,050,300	6,206,916
Rental revenue (note 17)	61,663,363	60,223,820
Subsidy contributions	68,482,198	67,651,851
Interest:		
Loans and mortgages	16,783,387	17,225,789
Bank and other	113,259	13,992
	16,896,646	17,239,781
Sales of land - joint venture (note 10)	3,428,490	1,482,399
Other	77,079	198,223
	183,421,036	178,695,938
Expenses:		
Housing operations (note 17)	99,994,897	99,148,254
Rental subsidies (note 18)	45,724,412	44,433,233
Grants and subsidies (note 19)	3,985,068	4,289,457
Interest expense (note 20)	16,825,813	17,644,092
Administrative services (note 16)	1,592,800	2,550,822
Loss (gain) on sale of housing projects and land	552,223	(797)
Provision for loss and write downs	(6,437)	731,465
Cost of land sales - joint venture	2,738,214	1,028,079
Repair and renovation expense (note 16)	9,259,180	8,308,542
Other	805,091	537,176
Pension (note 21)	1,171,885	-
	182,643,146	178,670,323
Excess of revenue over expenses	$ 777,890	$ 25,615

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF THE MANITOBA HOUSING AND RENEWAL FUND DEFICIT
YEAR ENDED MARCH 31, 2004

	2004	2003
Deficit at beginning of year as previously reported	$ (17,787,340)	$ (17,306,665)
Add – change in accounting policy (note 3)	(230,025,727)	(230,532,017)
Deficit as restated	(247,813,067)	(247,838,682)
Add – excess of revenue over expenses	777,890	25,615
Deficit at end of year	$(247,035,177)	$(247,813,067)

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2004

	2004	2003
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	$ 777,890	$ 25,615
Add (deduct) items not involving cash:		
Amortization	8,132,725	8,220,294
Provision for loss and write downs	(6,437)	731,465
Loss (gain) on sale of housing projects and land	552,223	(797)
Federal subsidies - housing projects	(743,433)	(743,433)
	8,712,968	8,233,144
Net change in non-cash balances related to operations:		
Accounts receivable and accruals	(6,082,624)	(142,061)
Accounts payable, holdbacks and accruals	5,367,722	6,935,531
Provision for modernization and improvement	(7,328,589)	(8,209,010)
Deferred revenue	(3,101)	617,605
Deferred contributions	4,092,642	4,380,104
Land development costs	(933,068)	(968,477)
Land in joint venture	256,933	167,641
Risk reserve fund	(2,256,303)	373,485
	1,826,580	11,387,962
Financing activities:		
Borrowings	1,150,631	525,262
Repayment of borrowings	(12,984,622)	(10,795,809)
	(11,833,991)	(10,270,547)
Investing activities:		
Additions to land and housing	(1,104,304)	(2,151,644)
Additions to loans and mortgages	(174,270)	(345,500)
Proceeds from sale of land and housing	71,200	69,962
Proceeds from repayment of loans and mortgages	4,187,278	5,133,801
	2,979,904	2,706,619
(Decrease) Increase in cash	(7,027,507)	3,824,034
Cash at beginning of year	89,178,758	85,354,724
Cash at end of year	$82,151,251	$89,178,758

(see accompanying notes)

1. Authority

The Manitoba Housing and Renewal Corporation (MHRC) operates under the authority of The Housing and Renewal Corporation Act, being Chapter H 160 Revised Statutes of Manitoba 1987. The purposes and objects of the Act are:

a) to ensure that there is an adequate supply of housing stock in Manitoba;

b) to enhance the affordability of, and accessibility to, adequate housing for Manitobans, particularly those of low and moderate income and those with specialized needs;

c) to maintain and improve the condition of existing housing stock; and

d) to stimulate and influence the activities of the housing market to the benefit of Manitobans as a whole.

MHRC is under the management and control of a Board of Directors appointed by the Lieutenant Governor in Council. The board shall consist of not fewer than five members and not more than 13 members and the Lieutenant Governor in Council may designate one of the members of the board as chairperson and one member as vice-chairperson.

The Corporation is economically dependent on the Government of the Province of Manitoba.

These financial statements include, in note 17, the operating results of MHRC owned properties which are managed by The Manitoba Housing Authority (MHA). MHA was incorporated in 1992 as an agency of MHRC.

MHA is under the management and control of a Board of Directors who are appointed by the Minister of Family Services and Housing.

2. Significant accounting policies

a) Basis of accounting

The Corporation's financial statements are prepared using Canadian generally accepted accounting principles.

b) Loans and mortgages receivable

Loans and mortgages receivable are valued at principal amounts less an allowance for loan impairment.

c) Loan forgiveness

Loan forgiveness for forgivable loans is approved in accordance with the terms of the loan agreements. The Corporation records an asset valuation allowance equal to the amount of the loan at the time the loan is granted. As forgiveness conditions are met by the borrower, the Corporation records the annual forgiveness by reducing both the forgivable loan and the accompanying valuation allowance.

d) Allowance for loan impairment

The Corporation maintains an allowance for loan impairment, which reduces the carrying value of loans and mortgages receivable to their estimated realizable amounts. Depending on the program under which the loan or mortgage is made, estimated realizable amounts are determined with reference to the Corporation's historical loss experience on similar loans or the appraised value of the project financed by the loan or mortgage.

Specific allowances are established for individual loans and mortgages for which the estimated realizable amount is less than the carrying value. The Corporation does not provide any additional non-specific, general provision for loan impairment. The Corporation's Board of Directors has approved a policy which defines whether an individual mortgage or loan balance is to be considered impaired based on the time period that it has been in arrears.

e) Housing projects and amortization

i) Social housing projects are valued at cost less accumulated amortization.

ii) Market housing projects are valued at the lesser of cost less accumulated amortization and net realizable value.

iii) Cost includes direct construction costs, land acquisition costs and interest and other related carrying charges incurred during the period of construction.

iv) Housing projects which are declared abandoned or surplus to the needs of the Corporation are valued at the lesser of cost less accumulated amortization and net realizable value.

v) Housing projects are amortized on a straight-line basis over their estimated useful lives as follows:

Wood buildings – 25 years
Brick buildings – 40 years

f) Housing investment

Housing investment is valued at cost less accumulated amortization. Annual amortization is recorded on a straight-line basis over the estimated useful lives as follows:

Wood buildings – 25 years
Brick buildings – 40 years

g) Interest in joint venture

The interest in joint venture is recognized using the proportionate consolidation method. Proportionate consolidation is a method of accounting and reporting whereby MHRC's prorata share of each of the assets, liabilities, revenues and expenses of the joint venture is combined on a line by line basis with similar items in MHRC's financial statements.

h) Land

Land is valued at the lower of cost and appraised value adjusted for estimated disposition costs, except for land leased to co-operatives. Cost includes acquisition costs and related carrying costs. The carrying costs of the land, which include interest, planning and development costs, grants in lieu of taxes, less revenue derived from use of undeveloped land, were capitalized to land to March 31, 1993. Effective April 1, 1993 the carrying costs are charged annually to operations. Cost for land acquired after March 31, 1993 consists of the original purchase price.

Land leased to co-operatives is valued at original cost. The Corporation incurs no liabilities or obligations with respect to the lessees' buildings situated on the land. The carrying costs of the land, net of lease revenue, are charged annually to MHRC operations.

i) Interest capitalization

Interest costs on financing related to housing projects and housing investments are capitalized to the date of completion.

j) Pension costs and obligations

Current service contributions for MHA employees are recognized as operating expenses. The Corporation has no further liability associated with the annual cost of pension benefits earned by MHA employees.

The Corporation has a liability associated with the annual cost of pension benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003 (note 26).

k) Contributed and administrative services

Under an agreement entered into between The Manitoba Housing and Renewal Corporation and the Department of Family Services and Housing, in 1984, the Department provides administrative services to MHRC at no cost. The value of these contributed and administrative services is recorded as revenue and expenses.

l) Modernization and improvement

Significant, non-recurring modernization and improvement costs, which have been funded by designated revenues, have been accrued in the same period that such designated grant or subsidy revenues were approved by the funder and recorded by MHRC. As such costs are incurred, the provision for modernization and improvement is drawn down. Normal, recurring repairs and maintenance costs, which are funded by annual grant and subsidy revenues are expensed in the period in which they are incurred.

m) Financial instruments

i) Financial Risk

Financial risk is the risk to the Corporation's operations that arises from fluctuations in interest rates, and the degree of volatility of those rates. The Corporation does not use derivative instruments to reduce its exposure to interest risk. This risk is mitigated through the almost exclusive use of fixed rate terms for its mortgages and loans receivable and its long-term debt.

ii) Credit Risk

Credit risk arises from the potential that a counterparty to an agreement with the Corporation will fail to perform its obligations. The Corporation conducts an assessment of credit issues prior to committing to such agreements and it actively monitors the credit risks associated with its accounts receivable and loans and mortgages receivable on an ongoing basis.

iii) Fair Value

There is no secondary market for many of the financial assets in which the Corporation invests or for the debt it issues. These circumstances, together with the uncertainty and potentially broad range of outcomes pertaining to the future cash flows related to these items, render the calculation of fair values, with appropriate reliability, impractical.

n) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. Change in Accounting Policy

Effective April 1, 2003, the Corporation initiated the following change in accounting policy:

Previously, the amortization for housing projects and housing investment was based on actual principal repayment of long-term debt. Amortization for housing projects under the Rural and Native Housing Program was based on the imputed principal repayment equivalent to that of 100% long-term debt financing with Canada Mortgage and Housing Corporation.

Effective April 1, 2003, amortization for housing projects, housing investment, and housing projects under the Rural and Native Housing Program is recorded on a straight-line basis over their estimated useful lives as follows:

Wood buildings – 25 years
Brick buildings – 40 years

The effects of the above change in accounting policy, which has been retroactively applied with restatement, on the balance sheet as at March 31, 2004, are to increase accumulated amortization for housing projects by $227,431,674 (2003 - $228,421,555), to decrease housing investment by $10,891,891 (2003 - $11,721,341), to decrease financing provided by CMHC for housing projects by $8,931,272 (2003 - $9,730,193), to increase the original cost for housing projects by $386,641 (2003 - $386,976), and to decrease the deficiency of revenue over expenses transferred to The Manitoba Housing and Renewal Fund by $1,020,075 (2003 - $506,290). As a result of the above changes, the opening balance in The Manitoba Housing and Renewal Fund Deficit as at April 1, 2003 has been increased by $230,025,727 (April 1, 2002 - $230,532,017).

4. Acquisition of Control of Social Housing Operations

Pursuant to the Social Housing Agreement executed by MHRC and CMHC on September 3, 1998 which took effect October 1, 1998, CMHC transferred its ownership interest in Public Housing Projects to MHRC in accordance with a Declaration of Trust, and MHRC has assumed sole responsibility for operating policy decisions relating to these projects. Previous agreements provided for the two parties to exercise joint control over operating policies. Rental subsidies provided through agreements with third parties for which MHRC has assumed responsibility are included in note 18.

5. Cash

	2004	2003
On deposit with the Minister of Finance:		
Trust deposits	$62,401,480	$62,233,148
Modernization and improvement fund	-	8,325,180
Risk reserve fund (note 14)	12,029,230	14,285,533
Mobile home loan guarantee program fund (note 25)	812,102	789,993
Noon meal program	192,074	130,807
	75,434,886	85,764,661
Bank	6,707,690	3,406,589
Petty cash	8,675	7,508
Cash	$82,151,251	$89,178,758

6. Accounts receivable and accruals

	2004	2003
Canada Mortgage and Housing Corporation	$ 4,981,195	$ 1,250,117
Government of the Province of Manitoba and its agencies	6,887,280	7,766,094
Rent receivables - net of allowance of $5,499,175 (2003 - $4,877,314)	1,598,189	1,225,593
Accrued interest on loans and mortgages receivable	508,029	716,876
City of Winnipeg - net of allowance of $67,927 (2003 - $65,097)	34,931	55,490
Other - net of allowance of $21,138 (2003- $154,874)	7,997,894	6,082,609
Government of the Province of Manitoba - pension recoverable (note 21)	4,840,534	3,668,649
Accounts receivable and accruals	$26,848,052	$20,765,428

7. Loans and mortgages receivable

a) Composition of loans and mortgages receivable

	2004	2003
Federal/Provincial Housing:		
Private Non-Profit Housing Program	$104,077,184	$105,542,975
Rural and Native Housing Program	34,960	70,277
Urban Native Housing Program	38,231,765	39,799,039
	142,343,909	145,412,291
Market Rental Programs:		
Co-operative HomeStart Program	8,422,986	8,263,551
Co-operative Index Linked Program	8,697,594	9,072,876
Manitoba Rural RentalStart Program	566,365	577,528
Manitoba Senior RentalStart Program	5,252,580	5,363,198
	22,939,525	23,277,153
Other Programs:		
Community Residences Program	5,618,837	6,379,011
Market Homeowner Programs	187,214	275,095
Homeowner Rehabilitation Programs	532,112	444,112
Other	434,566	329,283
	6,772,729	7,427,501
	172,056,163	176,116,945
Less - allowance for loan impairment	6,182,863	6,237,074
Loans and mortgages receivable	$165,873,300	$169,879,871

Loans and mortgages receivable bear interest at various rates between 0% and 13.5% with maturities at various dates to 2024.

In addition to the loans and mortgages above, forgivable loans outstanding in the amount of $29,632,071 (2003 - $20,063,335) have been approved in accordance with the terms of the loan agreements. An asset valuation allowance equal to the amount of outstanding forgivable loans has been recorded by the Corporation.

b) Allowance for loan impairment

The allowance for loan impairment is comprised of the following specific provisions:

	2004	2003
Market rental programs	$5,990,346	$5,990,397
Other programs	192,517	246,677
	$6,182,863	$6,237,074

8. Housing projects

	2004	2003
Completed Housing Projects:		
Land	$ 21,800,176	$ 21,800,176
Buildings	384,498,043	384,526,795
	406,298,219	406,326,971
Less - financing provided by CMHC	5,567,011	6,310,444
	400,731,208	400,016,527
Less - accumulated amortization	315,517,047	307,721,325
Housing projects	$ 85,214,161	$ 92,295,202

9. Housing investment

Housing investment represents MHRC's share in social housing projects, which until October 1, 1998 were administered by CMHC and subsequently have been administered by MHRC, under the Rural and Native Housing Program.

On September 3, 1998, MHRC and CMHC executed a Declaration of Trust by which CMHC has transferred their ownership interest in cost-shared and 100% CMHC funded Public Housing projects to MHRC, as trustee. MHRC's interest in these projects will be earned over the remainder of each project's CMHC subsidy commitment period, in amounts which will correspond to the annual amortization of the assets. No increase in housing investment has been recorded by MHRC.

10. Joint venture

The Corporation contributed 179 acres of land, at appraised value, to a joint venture with Ladco Company Limited on May 11, 1989. The appraised value of the land at that time, adjusted for subsequent sales, was $2,079,132 (2003 - $2,336,065) and is included in joint venture land in note 11. The joint venture activities include the servicing, development and sale of approximately 476 acres of land in the City of Winnipeg, Manitoba. In accordance with the terms of the agreement, the Corporation has provided loan guarantees for the purposes of the joint venture development in an amount not to exceed $2,400,000 (note 25).

The following is a summary of the Corporation's pro rata share of the assets, liabilities, revenues and expenses of the Ladco Company Limited joint venture.

	2004	2003
Current Assets:		
Cash and short term investments	$ 177,516	$ 189,762
Accounts receivable from land sales	2,316,067	1,049,522
	2,493,583	1,239,284
Long Term Assets:		
Development in progress	2,649,591	1,716,523
Total Assets	$5,143,174	$2,955,807
Current Liabilities:		
Accounts payable and accrued liabilities	2,039,144	535,269
Net Assets	$3,104,030	$2,420,538
Sales of land	3,428,490	1,482,399
Cost of land sales	2,481,281	860,438
Gross margin	947,209	621,961
Expenses:		
Interest on bank indebtedness	70,588	3,904
General	156,363	63,388
Other	36,766	56,675
Total expenses	263,717	123,967
Net income for the year	$ 683,492	$ 497,994

11. Land

	2004	2003
Under development	$ 146,000	$ 146,000
Future development or sale	8,239,036	7,729,733
Leased to co-operatives	1,734,392	1,734,392
Joint venture	2,079,132	2,336,065
Land	$12,198,560	$11,946,190

12. Deferred revenue

	2004	2003
Manitoba Housing Authority tenant prepaid rent	$1,975,115	$1,995,304
Other prepaid land lease and subsidy contribution received in advance	266,008	248,920
Deferred revenue	$2,241,123	$2,244,224

13. Long-term debt

	2004	2003
Government of the Province of Manitoba:		
Advances, convertible to long-term advances, at prime interest rates	$ 1,986,362	$ 1,401,954
Long-term advances, at interest rates from 6.125% to 13.375% maturing at various dates to 2030 and requiring annual principal and interest payments of $43,992,842 (2003 - $46,740,265)	334,753,095	343,650,271
Canada Mortgage and Housing Corporation:		
Long-term advances, at interest rates from 5.75% to 11.00% maturing at various dates to 2030 and requiring annual principal and interest payments of $15,112,820 (2003 - $15,115,477)	180,601,062	184,615,157
Mortgages payable (assumed on property acquisitions), at interest rates from 5.125% to 9.625% maturing at various dates to 2030 and requiring annual principal and interest payments of $325,479 (2003 - $275,215)	3,065,331	2,572,459
Long-term debt	$520,405,850	$532,239,841

Principal repayments on the long-term debt are estimated as follows:

2005	$ 13,444,362
2006	14,521,244
2007	15,659,562
2008	16,059,900
2009	17,343,437
Subsequent to 2010	443,377,345
	$520,405,850

14. Deferred contributions and risk reserve fund

Pursuant to the Social Housing Agreement executed by MHRC and CMHC, CMHC will pay fixed annual contributions to MHRC for individual housing projects over the remainder of the CMHC subsidy commitment period. The Agreement took effect October 1, 1998 and has a funding expiration date of August 31, 2031. The Agreement provides that a specified amount of the annual federal contributions must be applied toward housing programs, which assist low income households, as defined in the Agreement. The portion of federal contributions that may be applied toward other housing programs is similarly specified. Unexpended federal contributions are carried forward by MHRC for future use, but such contributions must be fully used, in accordance with the Agreement, by the funding expiration date of August 31, 2031.

Pursuant to the Social Housing Agreement dated September 3, 1998 between CMHC and MHRC, CMHC made a one-time payment of $12,700,000 to MHRC in 1999. This amount was provided for the purpose of mitigating future operating risks associated with MHRC's financial responsibility for housing programs transferred from CMHC pursuant to the Agreement. This amount has been recorded as a risk reserve fund and is increased by interest earned thereon and is reduced as the Corporation incurs expenses as a result of the identified risks.

15. Grants from the Province of Manitoba

	2004	2003
Department of Family Services and Housing:		
MHRC operating programs	$21,361,229	$21,304,600
MHRC administration	4,622,771	455,284
Grants and subsidies	3,170,028	3,411,365
	29,154,028	25,171,249
Grants recovered from the Department of Finance:		
School Tax Assistance for Tenants 55 Plus Program	497,047	521,699
Pension recovery (note 21)	1,171,885	-
Grants from the Province of Manitoba	$30,822,960	$25,692,948

16. Contributed and administrative services

	2004	2003
Administrative services provided by the Department of Family Services and Housing were allocated as follows:		
- included in the Statement of Operations, Administrative Services	$ 646,500	$2,095,538
- included in administration expenses in note 17, Manitoba Housing Authority Housing Operations	789,000	1,829,100
- included in administration expenses in note 17, Sponsor Managed Housing Operations	10,600	273,900
- included in Rental Subsidies, note 18	278,600	1,624,600
- included in Statement of Operations, Repair and renovation expense	325,600	383,778
Total Department of Family Services and Housing administrative services provided	$2,050,300	$6,206,916

17. Housing operations

The management and operation of all MHRC social housing projects are the responsibility of the Manitoba Housing Authority and sponsor managed groups. Their operating results are:

	Manitoba Housing Authority Managed	Sponsor Managed	2004	2003
Revenue				
Rental revenue	$49,877,854	$11,785,509	$61,663,363	$60,223,820
Expenses				
Administration (note 16)	13,129,950	1,431,553	14,561,503	13,864,602
Property operating	32,766,027	7,201,184	39,967,211	38,628,155
Grants in lieu of taxes	8,818,327	1,480,088	10,298,415	11,168,128
Amortization and interest	29,189,248	5,978,520	35,167,768	35,487,369
	83,903,552	16,091,345	99,994,897	99,148,254
Operating loss	$34,025,698	$ 4,305,836	$ 38,331,534	$ 38,924,434

18. Rental Subsidies

The Corporation is obligated to provide ongoing rental subsidies under third party operating agreements.

The net rental subsidies required by these organizations are:

	2004	2003
Not for profit housing corporations	$26,193,279	$27,008,674
Co-operative housing corporations	3,939,887	4,068,358
Private landlords	4,704,111	4,724,036
Property management agreements	10,887,135	8,632,165
Net rental subsidies	$45,724,412	$44,433,233

19. Grants and subsidies

	2004	2003
Shelter Allowance for Family Renters	$ 894,000	$ 823,979
Shelter Allowance for Elderly Renters	2,276,028	2,587,386
School Tax Assistance for Tenants 55 Plus Program	497,047	521,699
Elderly & Infirm Persons Housing	155,423	155,423
Co-op Homestart Program	162,570	200,970
	$3,985,068	$4,289,457

20. Interest expense

In addition to the interest expense of $16,825,813 (2003 - $17,644,092), interest expense in the amount of $25,281,477 (2003 - $27,852,197) is included in note 17 in the amortization and interest expense.

21. Pension obligations

Employees of the Corporation and MHA are eligible for pensions under the Manitoba Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires MHA to contribute an amount equal to the employees' contribution to the Superannuation Fund for current services. Such payments are charged to housing operations as incurred and MHRC has no further liability associated with the annual cost of pension benefits earned by MHA employees. Pension expense recorded for MHA employees for the year ended March 31, 2004 is $478,909 (2003 - $466,665).

The Corporation has a liability associated with the annual cost of pension benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003 (note 26). The liability of $4,840,534 (2003 - $3,668,649), the related recoverable amount from the Province of Manitoba of $4,840,534 (2003 - $3,668,649), the change in the liability of

$1,171,885 which represents an expense and the change in the recoverable of $1,171,885 which represents revenue are recorded in the financial statements.

22. Severance pay benefits

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees in The Manitoba Housing Authority. The amount of this estimated liability is determined using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 22 or 15 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Corporation's employees. Accordingly, the Corporation recorded, effective April 1, 1998, a receivable of $877,105 from the Province of Manitoba, which is an amount that is equal to the estimated liability recorded for accumulated severance pay benefits at March 31, 1998.

The Corporation recorded a severance liability in the amount of $569,000 associated with the severance benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003 (note 26). The Corporation recorded, effective April 1, 2003, a receivable in the amount of $569,000 from the Province of Manitoba, which is an amount that is equal to the liability recorded for accumulated severance pay benefits at that date.

These receivables from the Province of Manitoba have no terms of repayment and accordingly, the amount of the receivable will remain fixed at $1,446,105.

23. Contingencies

The Corporation is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Corporation. Any settlement will be recognized in the year the settlement occurs.

24. Commitments

The Corporation has the following commitments as at March 31, 2004.

a)	Housing project modernization and improvement	$1,244,938
b)	Repair and renovation expenses	$6,602,895
c)	Grants and subsidies:	

As a result of the Social Housing Agreement dated September 3, 1998, MHRC is now fully responsible for the funding commitments of all Social Housing Projects in Manitoba. These commitments will expire on a staggered basis over the period ending 2031, concurrent with the Social Housing Agreement funding expiration date of August 31, 2031. An estimate of these commitments for each of the next five years is as follows:

2005	$18,218,500
2006	28,219,700
2007	28,400,300
2008	28,761,700
2009	29,432,700

25. Guarantees

The Corporation has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts. The outstanding guarantees are as follows:

	2004	2003
Joint Venture Investment Guarantee (note 9)	$2,400,000	$2,400,000
Mobile Home Loan Guarantee Program	877,951	1,133,585
Other mortgage guarantees	2,838,801	807,166
Total guarantees	$6,116,752	$4,340,751

A guarantee fee of 2 1/2% is charged for each mortgage under the Mobile Home Loan Guarantee Program. The assets of the Mobile Home Loan Guarantee Program as at March 31, 2004 are $812,102 (2003 - $789,993) and are included in cash (note 5). The trust fund liability is included in accounts payable.

26. Transfer of Personnel to MHRC

As at February 8, 2003, all staff from the Housing Division of the Department of Family Services and Housing were transferred to MHRC to support the operations of the Corporation.

27. Comparative figures

Certain comparative figures in the financial statements have been restated to conform with the presentation of the current year.

MANITOBA
TRADE AND
INVESTMENT
CORPORATION

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June 16, 2004

THE MANITOBA TRADE AND INVESTMENT CORPORATION MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions and that appropriate policies are established and respected.

The statements are examined by the Auditor General of the Province of Manitoba, whose opinion is included herein. The Auditor General has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting to the Board.

H Eliasson
Hugh Eliasson
Chairperson

Jack Dalgliesh.
Jack Dalgliesh, C.G.A.
Financial Officer

Manitoba Trade and
Investment Corporation
An Agency of Manitoba
Intergovernmental Affairs and Trade

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Trade and Investment Corporation

We have audited the balance sheet of the Manitoba Trade and Investment Corporation as at March 31, 2004 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 16, 2004

MANITOBA TRADE AND INVESTMENT CORPORATION
BALANCE SHEET
MARCH 31, 2004
(With Comparative Figures for 2003)

	2004	2003
ASSETS		
Current Assets:		
Cash	$ 178,196	$ 178,144
Short-term investments (Note 3)	873,592	571,774
Accounts Receivable - Province of Manitoba (Note 4)	45,655	67,873
Accrued Interest - Province of Manitoba	23,900	30,257
Total Current Assets	1,121,343	848,048
Trust Funds:		
Provincial Nominee Program - Trust Funds (Note 5)	17,884,873	8,100,551
Total Trust Funds	17,884,873	8,100,551
TOTAL ASSETS	$ 19,006,216	$ 8,948,599
LIABILITIES AND RETAINED EARNINGS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 4)	$ 111,966	$ 97,363
Deferred Revenue (Note 6)	8,008	38,488
Operating Advance Payable (Note7)	500,000	500,000
Total Current Liabilities	619,974	635,851
Trust Liabilities:		
Provincial Nominee Program - Trust Fund (Note 5)	17,884,873	8,100,551
Total Trust Liabilities	17,884,873	8,100,551
TOTAL LIABILITIES	18,504,847	8,736,402
RETAINED EARNINGS	501,369	212,197
TOTAL LIABILITIES AND RETAINED EARNINGS	$ 19,006,216	$ 8,948,599

See accompanying notes to financial statements.

Approved by:

Chair of the Board

Financial Officer

MANITOBA TRADE AND INVESTMENT CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2004
(With Comparative Figures for 2003)

	2004	2003
Revenue:		
Interest (Note 5)	$ 370,710	$ 103,354
Participation Fees (Note 2)	209,675	177,928
Contract Fees Recoveries (Note 8)	565,836	560,949
Provincial Nominee Program for Business - Defaults (Note 5)	100,000	-
Total Income	1,246,221	842,231
Expenses:		
Program (Note 2)	254,862	226,789
Audit Fees	7,000	7,065
Contract Fees	694,746	596,989
Miscellaneous	441	170
Total Expenses	957,049	831,013
Net Income for the Year	289,172	11,218
Retained Earnings, beginning of year, as restated (Note 4)	212,197	200,979
Retained Earnings, end of year	$ 501,369	$ 212,197

See accompanying notes to financial statements.

MANITOBA TRADE AND INVESTMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2004
(With Comparative Figures for 2003)

		2004		2003
Operating Activities:				
Net Income for the year	$	289,172	$	11,218
Changes in non-cash working capital				
Accounts Receivable - Trade		-		54,829
Accounts Receivable - Province of Manitoba		22,218		(39,702)
Accrued Interest - Province of Manitoba		6,357		(30,257)
Accounts Payable and Accrued Liabilities		14,603		32,695
Deferred Revenue		(30,480)		(59,432)
Net cash flow from (to) operating activities		301,870		(30,649)
Investing Activities:				
Investment in short-term investments		(500,000)		-
Net cash flow to investing activities		(500,000)		-
Net decrease in cash		(198,130)		(30,649)
Cash and cash equivalents, beginning of year		749,918		780,567
Cash and cash equivalents, end of year	$	551,788	$	749,918
Cash and cash equivalents reconciliation:				
Cash	$	178,196	$	178,144
Short-term investments		873,592		571,774
Short-term investments, term to maturity greater than 90 days		(500,000)		-
	$	551,788	$	749,918

See accompanying notes to financial statements.

1. Nature of Operations and Economic Dependence

The Manitoba Trade and Investment Corporation (the Corporation) was formed by an Act of Legislation in 1974. The object of the Corporation is to encourage, develop and increase Manitoba exports and trade. The Corporation's primary emphasis is to connect Manitoba businesses with emerging export opportunities.

The Corporation is economically dependent on the Government ofthe Province of Manitoba as all project shortfalls and deficits incurred by the Corporation are recovered from the Province.

2. Significant Accounting Policies

a. Basis of Accounting

The Corporation's financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b. Participation Fees and Program Expenses

Participation Fees and Program Expenditures are recognized as revenue or expense in the same period that the shows, seminars and projects sponsored by the Corporation are actually held. Fees received in advance of event days are reflected as deferred revenue.

c. Contributed Services

During the year, the Province of Manitoba provided office space and other administrative services to the Corporation at nil cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

d. Use of Estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

3. Short – term investments

Short-term investments are carried at cost which approximates market. Funds available for investment are invested with the Province of Manitoba.

4. Restatement - Accrued Vacation Pay Payable

The financial statements have been restated to reflect the March 31, 2003 balance of accrued vacation pay payable of $55,616 for contract staff which was previously not recognized in the financial statements. The 2003 accrued liability was offset by contract fees recoveries receivable from the Province of $51,366, which excludes the accrued vacation pay payable of contract staff employed in the Provincial Nominee Program and funded from interest earned on nominees' deposits.

The 2003 comparative figures have also been restated to reflect an additional $13,455 in contract fees expense offset by additional contract fees recoveries of $9,205 to reduce 2003 net income by $4,250 and retained earnings by the same amount. The 2004 accounts payable and accrued liabilities increased by $59,443 and accounts receivable from the Province of Manitoba also increased by $53,065. The 2004 contract fees expenses increased by $3,827 and contract fees recoveries increased by an additional $1,699 to reduce the current year's net income by $2,128.

The March 31, 2002 accrued vacation pay payable balance amounted to $42,161 and was fully recoverable from the Province. Hence, there was no adjustment required to the opening balance of the 2003 retained earnings.

5. Trust Assets/Liabilities - Provincial Nominee Program

The Corporation and the Manitoba Departments of Industry, Economic Development and Mines, and Labour and Immigration operate a program known as the Provincial Nominee Program for Business, which offers individuals who wish to immigrate to the Province of Manitoba to establish and operate a business the opportunity to obtain a nominee certificate. During the 2003 fiscal year, the Corporation first entered into agreements with qualified immigrants whereby the immigrants committed to invest specified amounts to establish approved businesses in Manitoba within specified periods of time. As evidence of their commitments, the immigrants are required to deposit $75,000 (formerly $50,000) with the Corporation. These deposits are held in trust by the Corporation and are refundable to the immigrants based on the satisfaction of the conditions set out in the agreements. The final decision as to admission to Canada for permanent residence is made by the Government of Canada. In the event that nominees are not granted permanent residency visas by the Government of Canada, the Corporation also refunds the deposits. The Corporation invests the deposits, retains all interest income earned on the deposits and, should immigrants fail to satisfy the conditions of the agreements, the Corporation also has the right, under the agreements, to retain the deposits.

At March 31, 2004, deposits held in trust under the Provincial Nominee Program and invested with the Province of Manitoba totaled $17,884,873 (2003 - $8,100,551). Interest earned on these deposits during the year and retained by the Corporation totaled $355,411 (2003 – $90,365). Deposits retained during the year and included in revenue total $100,000.

6. Deferred Revenue

Deferred revenue represents unspent resources externally restricted for specific projects. Changes in the deferred balance are as follows:

	2004 $	2003 $
Balance, beginning of year	38,488	97,920
Less amount recognized as revenue in the year	(31,480)	(71,408)
Add amounts received and deferred during the year	1,000	11,976
Balance, end of year	8,008	38,488

7. Operating Advance Payable

The Corporation has a $500,000 non-interest bearing working capital advance from the Province of Manitoba. It is payable on demand.

8. Contract Fees/Recoveries

The Corporation employs a number of staff on contract. The costs of these contracts, except for contract fees related to the Provincial Nominee Program, are recovered from the Province of Manitoba.

9. Financial Instruments

The carrying amounts of current assets and liabilities are a reasonable estimate of their fair value because of the short-term maturity of these instruments.

10. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

The Manitoba Water Services Board

Management Report

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the accounting policies noted in the financial statements. The statements are examined by the Office of the Auditor General of the Province of Manitoba, whose opinion is included herein.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions, and that appropriate policies and procedures are established and respected.

The Provincial Auditor General has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting of the Board.

R. Menon, P.Eng.
General Manager

CBrigden

C. Brigden
Financial Officer

June 18, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of The Manitoba Water Services Board

We have audited the balance sheet of The Manitoba Water Services Board as at March 31, 2004 and the statements of operating revenues and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 18, 2004

The Manitoba Water Services Board

Exhibit A

Balance Sheet

as at March 31, 2004

ASSETS	2004	2003
Current assets		
Cash	$ -	$ 2,276,761
Accounts receivable	4,571,640	6,820,399
Prepaid Supplies	56,175	70,054
Current portion, Construction in progress (Note 4)	562,315	1,539,740
Accrued interest	40,038	49,402
Current portion of debentures receivable	288,876	316,992
	5,519,044	11,073,348
Long-term Construction in Progress (Note 4)	1,399,779	1,855,623
Debentures receivable from municipalities (Note 5)	176,828	465,705
Capital assets (Note 6)	94,316	127,268
	$ 7,189,967	$ 13,521,944

LIABILITIES	2004	2003
Current liabilities		
Bank Indebtedness	$ 1,164,554	$ -
Accounts payable and accrued charges	3,039,345	8,156,890
Advances from the Province of Manitoba payable on demand	2,700,000	5,100,000
Current portion of long-term debt	126,898	119,647
Infrastructure Renewal - Whitemud Conservation District (Note 3)	768,441	600,602
Infrastructure Renewal - Pembina Valley (Note 3)	10,000	5,000
Infrastructure Renewal - Conservation Districts (Note 3)	40,246	-
	7,849,484	13,982,139
Long-term debt (Note 7)		
Advances from the Province of Manitoba	295,623	422,521
Funds retained (Notes 8 and 16)	(1,055,140)	(982,716)
Interest adjustment fund account (Note 9)	100,000	100,000
	(955,140)	(882,716)
	$ 7,189,967	$ 13,521,944

APPROVED BY THE BOARD

The Manitoba Water Services Board **Exhibit B**

Statement of Operating Revenues and Expenditures

for the year ended March 31, 2004

	2004	2003
Revenues		
Sale of water	$ 1,359,649	$ 1,340,017
Administrative expenses paid by the Province of Manitoba (Note 10)	1,965,524	1,879,484
Interest	160,397	149,214
Total revenues	3,485,570	3,368,715
Expenditures		
Direct expenditures for water supply plants		
Interest - Advances payable on demand	249,258	227,154
- Long-term debt	64,161	71,485
Less: Interest allocated to new construction	(354,667)	(337,218)
	(41,248)	(38,579)
Chemicals	39,337	62,407
Amortization	32,609	41,992
Heat, telephone, light and power	186,114	234,305
Professional services	1,007,231	1,020,949
Salaries and benefits	217,084	254,841
Repairs and maintenance	102,796	125,730
Administrative expenses (Note 10)	1,965,524	1,879,484
Total expenditures	3,509,447	3,581,129
Deficiency of operating revenues over expenditures	(23,877)	(212,414)
Funds retained, beginning of year	(982,716)	(290,445)
Plant surplus transferred to municipalities on disposition	(48,547)	(479,857)
Funds retained, end of year (Note 8)	$ (1,055,140)	$ (982,716)

The Manitoba Water Services Board

Exhibit C

Statement of Cash Flows

for the year ended March 31, 2004

	2004	2003
Cash provided by (used for):		
Operating activities		
Excess (deficiency) of operating revenues over expenditures	$ (23,877)	$ (212,414)
Expenditure not involving cash - amortization	32,609	41,992
	8,732	(170,422)
Change in accounts receivable	2,248,759	(2,348,793)
Change in prepaid supplies	13,879	11,553
Change in accounts payable and accrued charges	(5,117,545)	2,291,592
Change in accrued interest	9,364	(8,549)
Cash provided by (used for) operating activities	(2,836,811)	(224,619)
Financing activities		
Advances received	15,200,000	17,600,000
Advances repaid	(17,719,647)	(16,409,131)
Debentures receivable principal recoveries	316,992	334,481
Contribution received - Infrastructure	225,246	5,000
Infrastructure Expenditure	(12,160)	(475,942)
Cash provided by (used for) financing activities	(1,989,569)	1,054,408
Investing activities		
New construction costs	(31,823,021)	(45,175,130)
Funding recovered from:		
Province of Manitoba	9,060,752	10,768,603
Municipalities	24,195,537	36,181,267
Decrease (increase) in construction in progress	1,433,268	1,774,740
Capital asset disposals	344	5,090
Plant surplus transferred to municipalities on disposition	(48,547)	(479,858)
Cash provided by (used for) investing activities	1,385,065	1,299,972
Increase (Decrease) in cash	(3,441,315)	2,129,761
Cash, beginning of year	2,276,761	147,000
Cash (bank indebtedness), end of year	$ (1,164,554)	$ 2,276,761

Interest paid during the year ended March 31, 2004 amounted to $301,549 (2003 - $289,961)

Notes to Financial Statements

for the year ended March 31, 2004

1. NATURE OF ORGANIZATION

The Manitoba Water Services Board was established in July 1972 under *The Manitoba Water Services Board Act* to assist in the provision of water and sewage facilities to the residents of rural Manitoba. The Board owns and operates water supply plants in the Province, installs or upgrades water and sewage facilities in Manitoba communities, constructs area water pipelines for agricultural and drought proofing purposes and develops farm water sources.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared using Canadian generally accepted accounting principles. Operating results of all water supply plants operated by the Board are reflected on an aggregate basis in the Statement of Operating Revenues and Expenditures. Separate equity accounts are maintained for each plant operated by the Board (Note 8).

(b) Capital assets

Capital assets represent water supply plants owned by the Board. They are recorded at cost and amortization is calculated on a straight-line basis over the following terms:

Plants constructed prior to January 1, 1972	equipment	18 years
	buildings	35 years
Plants constructed after January 1, 1972	equipment	20 years
	buildings	20 years

(c) Revenue recognition

Revenue from sale of water is recognized in the period when consumed by the town or municipality.

(d) Administrative expenses paid by the Province of Manitoba

Administrative expenses are paid by the Province of Manitoba on behalf of the Board and recorded at fair value in the financial statements.

(e) Pension costs and obligations

The Board's employees are eligible for membership in the provincially-operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is recorded in the financial statements related to the effects of participation in the pension plan by the Board and its employees.

3. INFRASTRUCTURE RENEWAL

The Board maintains an infrastructure renewal reserve account for the Whitemud Conservation District to be used over the next ten years for the Province's 75% contribution of the cost of replacing aging waterway bridges and crossings. The Whitemud Conservation District will assume responsibility for the Provincial waterway infrastructure at the end of the agreement. The Board is now also maintaining an infrastructure reserve account to be utilized only for Capital (infrastructure) construction works for Cooks Creek, Turtle River, and the Whitemud Conservation Districts as well as a separate reserve account for the Pembina Valley Conservation District.

4. CONSTRUCTION IN PROGRESS

	2004	2003
Balance, beginning of year	$ 3,395,363	$ 5,170,103
New construction costs	31,823,020	45,175,130
	35,218,383	50,345,233
Funding recovered from:		
Municipalities	24,195,537	36,181,267
Province of Manitoba	9,060,752	10,768,603
	33,256,289	46,949,870
Balance, end of year	1,962,094	3,395,363
Less: current portion	562,315	1,539,740
Long-term Construction in Progress	$ 1,399,779	$ 1,855,623

5. DEBENTURES RECEIVABLE FROM MUNICIPALITIES

Prior to April 1985, the Board financed capital construction costs through long-term debt at fixed interest rates with the Province of Manitoba and the Canada Mortgage and Housing Corporation. Municipalities financed the municipal share of capital construction costs by issuing debentures to the Board. The debentures were issued in amounts and at fixed interest rates sufficient to discharge the municipalities' share of the Board's corresponding long-term debt financing. Since April 1985, the Board has recovered the municipal share of capital construction costs on a current basis.

Schedule of Debentures Receivable from Municipalities:

Year of Maturity	Annual Payment Date	Interest Rate(%)	2004	2003
2003	December 31	12.625	$ -	$ 58,322
2004	December 31	12.750	176,555	333,150
Subtotal (carried forward)			$ 176,555	$ 391,472

5. DEBENTURES RECEIVABLE FROM MUNICIPALITIES (continued)

Year of Maturity	Annual Payment Date	Interest Rate(%)	2004	2003
Subtotal (brought forward)			$ 176,555	$ 391,472
2005	October 31	10.950	141,954	202,605
2006	October 31	9.800	88,635	113,915
2006	October 31	8.000	58,560	74,705
Total debentures receivable			465,704	782,697
Less: current portion			288,876	316,992
Debentures receivable beyond one year			$ 176,828	$ 465,705

6. CAPITAL ASSETS

	2004	2003
Land and easements	$ 17,731	$ 18,075
Buildings	816,888	869,895
Less accumulated amortization	740,303	760,702
	76,585	109,193
Equipment	222,416	277,441
Less accumulated amortization	222,416	277,441
Total capital assets	$ 94,316	$ 127,268

7. LONG-TERM DEBT

Year of Maturity	Annual Payment Date	Interest Rate(%)	2004	2003
Advances from the Province of Manitoba:				
2004	March 31	9.250	$ -	$ 3,916
2006	October 31	9.800	71,256	90,900
2007	March 31	9.625	337,531	430,889
2007	October 31	9.400	13,734	16,463
Total advances payable			422,521	542,168
Less: current portion			126,898	119,647
Advances payable beyond one year			$ 295,623	$ 422,521

The Board has the right at any time to repay in whole or in part the advances from the Province of Manitoba.

The aggregate amount of payments required to meet debt retirement provisions are:

2005	$ 126,898
2006	$ 139,143
2007	$ 152,570
2008	$ 3,910

8. FUNDS RETAINED

Funds retained consist of accumulated excess revenues over expenditures pertaining to the water supply plants owned and operated by the Board for the benefit of municipalities and pertaining to plants operated by the Board under agreements with municipalities. Separate equity accounts are maintained for each plant operated by the Board. Municipalities are responsible for any deficit balances and are given credit for surplus balances whenever plant operating responsibilities are transferred to the municipalities.

Funds retained also include the gain on the sale of the Red River Regional Water Supply System.

8. FUNDS RETAINED (continued)

Funds retained consist of the following:

	No.	2004 Amount	No.	2003 Amount
Plants owned by the Board				
Plants with a deficit	6	$ (1,452,864)	6	$ (1,459,790)
Plants with a surplus	3	92,485	4	162,472
	9	(1,360,379)	10	(1,297,318)
Plants owned by Municipalities				
Plants with a surplus	1	1,614	1	9,785
Total funds retained, water supply plants	10	(1,358,765)	11	(1,287,533)
Gain on Sale of the Red River Regional Water Supply System		303,625		304,817
Total funds retained		$ (1,055,140)		$ (982,716)

Subsequent to year end, one Water Treatment Plant has been transferred to the R.M. of Grey (Elm Creek). Surplus funds of approximately $1,614 will be released from funds retained during 2004/2005.

9. INTEREST ADJUSTMENT FUND ACCOUNT

The Board allocates interest costs to construction projects and to the operations of water supply plants at a rate comparable to the Board's cost of borrowing. The interest allocated and the actual net interest cost incurred by the Board are recorded in the Interest Adjustment Fund Account. Board policy is to maintain a balance of $100,000 in the Interest Adjustment Fund Account to absorb any shortfall in the allocation of actual net interest costs for the year. Interest costs were fully allocated for both the current and the preceding year.

10. ADMINISTRATIVE EXPENSES PAID BY THE PROVINCE OF MANITOBA

Administrative expenses paid by the Province of Manitoba and included in expenditures are as follows:

	2004	2003
Professional services	$ 17,645	$ 20,020
Salaries and benefits	1,614,276	1,535,967
Telephone and utilities	21,503	22,968
Travel	17,252	13,145
Rental for office premises	143,151	141,151
Other administrative	151,697	146,233
	$ 1,965,524	$ 1,879,484

11. COMMITMENTS

	2004	2003
The Board has commitments as follows:		
Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives.	$ 42,527,600	$ 33,445,075
These commitments are expected to be funded as follows:		
Subsidization of construction costs - Province of Manitoba	$ 13,840,500	$ 10,576,000
Recovery of construction costs - Municipalities and Cooperatives	28,687,100	22,869,075
	$ 42,527,600	$ 33,445,075

The Board recovers construction costs on a current basis from municipalities and cooperatives through funds provided by the Province of Manitoba under *The Loan Act*. As at March 31, 2004, the Province had unused authority of $41,799,900 under *The Loan Act, 2003* to provide this financing to the Board for the construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

12. CONTINGENCIES

The Board is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Board. Any settlement will be recognized in the year the settlement occurs.

13. RELATED PARTY TRANSACTIONS

The Board is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Board enters into transactions in the normal course of operations and they are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

14. USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

15. FINANCIAL INSTRUMENTS

Fair Value

The carrying amounts of bank indebtedness, accounts receivable, accrued interest, the current portion of debentures receivable, accounts payable, accrued charges, advances from the Province of Manitoba payable on demand, and the current portion of long term debt reported on the balance sheet approximate their fair market value due to their short-term nature.

Debentures receivable and long-term debt are estimated using public quotations or discounted cash flow analysis, based on current corresponding borrowing rates for similar types of borrowing arrangements. They are not materially different from their carrying value.

Credit Risk

The Board, in the normal course of business, is exposed to credit risk from the rural municipalities it serves. The Board's financial assets that are exposed to credit risk consist primarily of accounts receivable and debentures receivable.

Accounts receivable are primarily short-term receivables from rural municipalities. Debentures receivable are long-term receivables from Rural Municipalities which have fixed interest rates and repayment terms. Credit evaluations are done for each Rural Municipality.

Interest Rates

The Board is not exposed to significant interest rate risk due to the short term nature of the current asset and current liabilities, and the fact that its debentures receivable and long-term debt are at fixed interest rates.

16. ECONOMIC DEPENDENCY

The Board is economically dependent on the Province of Manitoba.

PUBLIC SCHOOLS FINANCE BOARD

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to October 14, 2003. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information. These internal controls also provide for the safeguarding of the Board's assets.

The responsibility of the Auditor General and his staff is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Board has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

On Behalf of Management

Steve Power, CMA

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors

We have audited the balance sheet of The Public Schools Finance Board as at June 30, 2003 and the statements of revenue and expenditure and education support fund and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
October 14, 2003

THE PUBLIC SCHOOLS FINANCE BOARD

Balance Sheet

As at June 30, 2003

	2003	2002
	(in thousands of dollars)	
ASSETS		
Cash	$ 2,043	$ 2,312
Funds on deposit with the Province of Manitoba	145	180
Accounts Receivable:		
Province of Manitoba	11,479	4,018
Municipal corporations - education support levy	109,982	120,902
Other	215	236
Prepaid Expense	147	-
	$ 124,011	**$ 127,648**
LIABILITIES AND EDUCATION SUPPORT FUND		
Support payable to school divisions	$ 3,949	$ 2,789
Accrued interest	1,339	1,114
Notes payable on demand, at bank prime, Province of Manitoba	116,122	121,074
Other payables	130	120
	121,540	**125,097**
Education Support Fund	**2,471**	**2,551**
	$ 124,011	**$ 127,648**

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Revenue and Expenditure and Education Support Fund for the year ended June 30, 2003

	2003	2002
	(in thousands of dollars)	
Revenue:		
Province of Manitoba Schools Finance Program	$ 625,662	$ 600,859
Municipal corporations, education support levy	190,582	203,881
Sale of school properties and miscellaneous revenue	29	3
	816,273	**804,743**
Expenditure:		
Operational support program (Note 3)	745,205	735,969
Capital support program (Note 4)	67,756	64,616
Administrative and other expenses (Note 5)	3,392	3,447
	816,353	**804,032**
Excess of revenue over expenditure	**(80)**	**711**
Education Support Fund		
Balance, beginning of year	2,551	1,840
Balance, end of year	$ **2,471**	$ **2,551**

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Cash Flows

for the year ended June 30, 2003

	2003	2002
	(in thousands of dollars)	
Cash Flow Provided by (Used in) Operating Activities:		
Excess (deficiency) of revenue over expenditure for the year	$ (80)	$ 711
Changes in working capital:		
Province of Manitoba receivable	(7,461)	11,685
Education Support Levy receivable	10,920	3,768
Other receivables	21	621
Prepaid expenses	(147)	-
Support payable to school divisions	1,160	(1,476)
Accrued interest	225	(1,440)
Notes payable	(4,952)	(14,183)
Other payables	10	18
Net Increase/(Decrease) in Cash for the Year	(304)	(296)
Cash - Beginning of Year	2,492	2,788
Cash - End of Year	$ 2,188	$ 2,492
Consisting of:		
Cash	$ 2,043	$ 2,312
Funds on Deposit with Province of Manitoba	145	180
	$ 2,188	$ 2,492

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements

As at June 30, 2003

1. Nature of the Board's Operations

The Public Schools Finance Board was established by the Public Schools Finance Board Act in April, 1967.

The Board is responsible for receiving all monies paid to the Education Support Fund for the financing of public schooling in Manitoba. It administers the Capital Support Program including the determination and the disbursement of all capital grants provided to Manitoba school divisions under the Program. The Board also issues payments to Manitoba school divisions under the Operational Support Program in amounts as determined by the Minister of Education and Youth.

The Public Schools Act and its Regulations govern the Education Support Fund.

2. Significant Accounting Policies

(a) The accounts of the Board are maintained in accordance with Canadian generally accepted accounting principles.

(b) The Education Support Levy is assessed against municipal corporations on a calendar year basis. The Board applied 40% of the 2002 levy to the July to December period and 60% of the 2003 levy to the January to June period.

(c) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(d) The Board's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, accrued liabilities and notes payable. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements

As at June 30, 2003

3. Operational Support Program

	2003	2002
	(in thousands of dollars)	
Instructional Support	$ 306,646	$ 377,457
Sparsity Support	12,066	-
Curricular Materials	8,787	8,849
Information Technology	7,030	7,079
Library Services	15,719	15,769
Level I - Special needs	45,694	44,745
Counselling and Guidance	9,357	9,307
Professional Development	5,887	5,702
Occupancy	78,130	77,811
Transportation	37,830	38,025
Board and Room	859	861
Special Needs	61,286	57,935
Technology (Vocational) Education	7,490	7,553
English as a Second Language	2,646	2,518
Aboriginal Academic Achievement	5,648	5,528
Heritage Language	220	239
French Language Programs / Instruction	5,673	5,657
Students at Risk	12,096	12,209
Small Schools	1,898	1,907
Increasing Enrolment	1,619	1,399
Northern/Remoteness Allowance	5,176	2,852
Early Behaviour Intervention	1,976	2,000
Early Childhood Development Initiative	541	559
Early Identification	249	249
Early Literacy Intervention	5,641	5,689
Programme d'accueil	338	330
Equalization Support	102,671	41,583
Day's Schools Closed	-	(6)
Adjustment of previous years' support to school divisions from estimated to actual	(81)	47
Miscellaneous (Pipeline)	(87)	(84)
Vocational Equipment Replacement	2,200	2,200
	$ 745,205	$ 735,969

4. Capital Support Program

	2003	2002
	(in thousands of dollars)	
Debt Servicing	$ 62,668	$ 59,326
Other Capital Projects	5,088	5,290
	$ 67,756	$ 64,616

As at June 30, 2003 the approved outstanding debenture debt of school divisions was $439,374,952 (2002 - $421,584,031). The Board has not, however, assumed legal liability related to the repayment of such long-term debt and, therefore, this amount is not reflected in the financial statements.

During the course of the year, school divisions raised an additional $44,554,800 to finance capital expenditures (2002 - $50,055,000) by the issuance of debentures purchased by the Minister of Finance.

5. Administrative and other expenses

	2003	2002
	(in thousands of dollars)	
Board Administration:		
Staff salaries	$ 623	$ 618
Service agreement	169	169
Professional services	120	60
Board members' indemnities	77	84
Meetings and travel	51	44
Desktop management	43	40
Rent	36	36
Printing, stationery, postage and supplies	34	35
Telephone and fax	12	11
Computers, software and minor equipment	5	13
Total Board Administration Expenses	1,170	1,110
Interest charges on notes payable to the Province of Manitoba	2,222	2,337
	$ 3,392	$ 3,447

6. Commitments

As at June 30, 2003, the Board had commitments of $1,259,096 (2002 - $998,895). The amount of $1,259,096 as at June 30, 2003 (2002 - $998,895) is committed from the Education Support Fund Balance.

7. Related Party Transactions

The Board is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Board enters into transactions with these entities in the normal course of business.

8. Pension Costs and Obligations

The Board's employees are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, the Board reflects no provision in the financial statements relating to its participation in the pension plan.

9. Comparative Figures

Certain of the prior year financial statement figures have been reclassified to be consistent with current year presentation.

Statement of Management's Responsibility

The financial statements are the responsibility of management and have been prepared in accordance with generally accepted accounting principles and policies as stated in Note 2 to the financial statements. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements incorporate management's best judgment regarding all necessary estimates due to dependency on subsequent events.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that the financial information produced is relevant and reliable.

The financial statements have been approved by the Board of Governors who have overall responsibility for their content. The Board of Governors is assisted in this responsibility by its Audit Committee, which consists of governors not involved in the daily operation of the College.

The independent firm of Deloitte & Touche, LLP, Chartered Accountants has been appointed to render an audit opinion on these financial statements.

J. A. Thachuk, CA
President

C. M. F. Rushton, CA
Treasurer and Chief Financial Officer

Deloitte & Touche LLP
360 Main Street, Suite 2300
Winnipeg, Manitoba R3C 3Z3
Canada

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**Deloitte
& Touche**

AUDITORS' REPORT

To the Board of Governors of
Red River College

We have audited the statement of financial position of Red River College as at June 30, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
October 14, 2003

RED RIVER COLLEGE
Statement of Financial Position
(in thousands)
June 30, 2003

	2003	2002
ASSETS		
CURRENT		
Cash and short-term investments (Note 3)	$ 7,328	$ 4,706
Accounts receivable	4,366	5,045
Inventories	836	712
Prepaid expenses (Note 4)	1,523	1,551
	14,053	12,014
DUE FROM PROVINCE OF MANITOBA	9,253	9,253
CAPITAL ASSETS (Note 5)	37,155	18,393
	$ 60,461	$ 39,660
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	$ 17,204	$ 14,733
Current portion of capital leases (Note 7)	1,374	674
Current portion of long term debt (Note 8)	319	-
Deferred revenue	4,469	4,063
	23,366	19,470
OBLIGATIONS UNDER CAPITAL LEASE (Note 7)	1,794	401
LONG TERM DEBT (Note 8)	12,139	-
DEFERRED CONTRIBUTIONS (Note 9)	2,094	2,144
DEFERRED CAPITAL CAMPAIGN CONTRIBUTIONS (Note 10)	2,987	3,028
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 11)	14,451	10,937
	56,831	35,980
NET ASSETS		
Net assets invested in capital assets (Note 12)	4,091	3,353
Net assets restricted for endowments (Note 13)	4,015	2,928
Net assets internally restricted (Note 13)	587	315
Unrestricted net assets	(5,063)	(2,916)
	3,630	3,680
	$ 60,461	$ 39,660

APPROVED BY THE BOARD OF GOVERNORS

.... Chair

ARobins .... Vice-Chair

RED RIVER COLLEGE
Statement of Operations
(in thousands)
Year Ended June 30, 2003

	Budget 2003 (unaudited - see Note 17)	Actual 2003	Actual 2002
REVENUE			
Academic training fees	$ 16,799	$ 19,314	$ 17,063
Grants and reimbursements	52,259	52,458	47,644
International education	687	955	783
Continuing education	6,647	6,229	5,753
Sundry and other revenue	10,792	9,174	8,534
Loss on disposal of capital assets	-	-	(3)
Capital revenue	2,811	-	-
Amortization of deferred contributions	-	2,953	2,144
	89,995	91,083	81,918
EXPENSES			
Instruction	50,350	52,201	48,043
Library	1,489	1,511	1,438
Administration & General	18,766	15,517	13,243
Physical Plant	12,992	12,845	10,826
Student Services	4,095	4,613	4,441
Capital purchases (regular college)	2,811	-	-
Amortization of capital assets	296	4,697	3,162
	90,799	91,384	81,153
Excess of revenue (expenses) over expenses (revenue) before other items	(804)	(301)	765
OTHER ITEMS			
Net increase in accrued vacation and severance liability	-	(755)	(948)
EXCESS OF EXPENSES OVER REVENUE	$ (804)	$ (1,056)	$ (183)

RED RIVER COLLEGE
Statement of Changes in Net Assets
(In thousands)
Year Ended June 30, 2003

	Invested in Capital Assets	Restricted for Endowments	Internally Restricted	Unrestricted	**Total 2003**	Total 2002
Balance, beginning of year	$ 3,353	$ 2,928	$ 315	$ (2,916)	**$ 3,680**	$ 2,809
Endowment gifts	-	1,006	-	-	**1,006**	1,054
Transfer into endowed gifts	-	81	-	(81)	**-**	-
Transfer into internally restricted	-	-	272	(272)	**-**	-
Excess of expenses over revenue	(2,141)	-	-	1,085	**(1,056)**	(183)
Investment in capital assets (Note 12)	2,879	-	-	(2,879)	**-**	-
Balance, end of year	$ 4,091	$ 4,015	$ 587	$ (5,063)	**$ 3,630**	$ 3,680

RED RIVER COLLEGE
Statement of Cash Flows
(in thousands)
Year Ended June 30, 2003

	2003	2002
OPERATING ACTIVITIES		
Excess of expenses over revenue	$ (1,056)	$ (183)
Amortization of capital assets	4,697	3,162
Amortization of deferred capital contributions	(2,556)	(1,718)
(Decrease) increase in deferred other contributions	(50)	876
Loss on disposal of capital assets	-	3
Net change in non-cash working capital items (Note 14)	3,460	184
	4,495	2,324
FINANCING AND INVESTING ACTIVITIES		
Purchase of capital assets	(23,143)	(9,226)
Proceeds from capital lease	3,747	501
Proceeds from promissory note	12,750	-
Endowment gifts received	1,006	1,054
Contributions received for capital purposes	5,558	7,876
Capital campaign contributions	155	485
Repayment of obligation under capital lease	(1,654)	(601)
Repayment of obligation under promissory note	(292)	-
	(1,873)	89
NET INCREASE IN CASH AND SHORT TERM INVESTMENTS	2,622	2,413
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	4,706	2,293
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$ 7,328	$ 4,706

1. DESCRIPTION

Red River College operates under the authority of The Colleges Act, Chapter C150.1 of the Continuing Consolidation of the Statutes of Manitoba. This legislation, which established the College as a board-governed institution on April 1, 1993, allowed for the transfer of assets, liabilities, investment in capital assets and contributed surplus from the Province of Manitoba.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Inventories

Inventories of merchandise are valued at the lower of cost and net realizable value.

(b) Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at their market value at the time of the donation. Library holdings are accounted for using the base stock method. Under this method, the value of the base stock is capitalized, but subsequent purchases are not capitalized because it has been determined that annual additions are approximately equal to reductions. Capital assets are amortized on a straight-line basis using an annual rate of:

Buildings	2.5%
Major renovations	5%
Equipment and furniture	10-20%
Computer equipment	33%
Leasehold improvements	over the life of the lease
Vehicles	20%
Aircraft	5%

(c) Donations

Donations are recorded when received. Donations of materials and equipment are recorded at fair market value.

(d) Revenue recognition

The College follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

The unearned portion of tuition fees and contractual training revenue received but not earned until the next fiscal year is recorded as deferred revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments

i) Credit risk

Credit risk is the risk to the College's earnings arising from the risk that a counter party to a transaction is unable to satisfy its obligations to the College. Credit risk is mitigated by the fact that the College's accounts receivable are comprised of a large number of comparatively small individual balances.

ii) Fair value

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of their fair values because of the short maturity of those instruments. Short-term financial assets are comprised of cash, short-term investments and accounts receivable. Short-term financial liabilities are comprised of accounts payable and accrued liabilities and current portion of capital leases.

The fair value of the long-term debt could not practicably be determined because the debt instrument is not readily marketable due to the nature of the debt agreement with the Province of Manitoba.

3. CASH AND SHORT TERM INVESTMENTS

	2003	2002
Bank Indebtedness	**$ (676)**	$ (4,536)
Cash	**37**	31
Short term investments	**7,967**	9,211
	$ 7,328	$ 4,706

The College has a $5,000 operating line of credit with the Province of Manitoba, bearing interest at prime.

Short term investment activity is transacted with the Department of Finance, Province of Manitoba in short term deposits.

4. PREPAID EXPENSES

	2003	2002
Property taxes	**$ 1,003**	$ 978
Other	**520**	573
	$ 1,523	$ 1,551

5. CAPITAL ASSETS

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment & furniture	$ 16,293	$ 6,940	$ 9,353	$ 5,546
Computer equipment	14,768	13,013	1,755	1,972
Major renovations	4,214	812	3,402	3,558
Buildings	13,278	-	13,278	-
Vehicles	85	23	62	38
Aircraft	1,326	61	1,265	1,216
Leasehold improvements	3,984	585	3,399	3,704
Assets under capital lease	5,809	2,391	3,418	1,136
Library holdings	1,223	-	1,223	1,223
	$ 60,980	$ 23,825	$ 37,155	$ 18,393

The assets under capital leases are amortized on a straight-line basis over the useful life of the asset. The amount of amortization charged to expense is $1,464 (2002 - $571).

The increase in net book value of capital assets is due to the following:

	2003	2002
Balance, beginning of year	$ 18,393	$ 11,782
Purchase of capital assets funded by deferred capital contributions	5,874	8,426
Purchase of capital assets funded by deferred building campaign contributions	155	485
Purchase of capital assets internally funded	2,879	966
Purchase of capital assets financed through net capital lease proceeds	2,093	(101)
Purchase of capital assets financed through promissory note	12,458	-
Loss on disposal of capital assets	-	(3)
Amortization of capital assets	(4,697)	(3,162)
	$ 37,155	$ 18,393

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2003	2002
Trade payables	$ 3,352	$ 1,859
Accrued salaries and benefits	1,117	854
Accrued retirement severance pay	5,966	5,707
Accrued vacation pay	6,769	6,313
	$ 17,204	$ 14,733

7. OBLIGATIONS UNDER CAPITAL LEASES

The following is a schedule of future minimum lease payments under the capital leases expiring between July 2003 and September 2006 together with the balance of the obligation under capital leases.

2004	$	1,487
2005		1,185
2006		408
2007		271
Total minimum lease payments		3,351
Less: amount representing interest (ranging from 5% to 10%)		(183)
Balance of obligations		3,168
Current portion		1,374
Long-term portion	$	1,794

Interest expense on the lease obligations amounted to $136 (2002 - $70).

8. LONG-TERM DEBT

Long-term debt consists of a promissory note for $12,750 payable to the Province of Manitoba. The note was used for the purchase of Phase 1 of the Princess Street Campus. Monthly payments are $27 plus interest starting August 2002 with the final payment to be made July 31, 2042. The interest rate is 6.6% and the interest expense for 2003 was $741.

		2003		2002
Promissory note due to Province of Manitoba	**$**	**12,458**	$	-
Less amounts due within one year, included in current liabilities		**(319)**		-
	$	**12,139**	$	-

The principal repayments over the next five years are as follows:

2004	$ 319
2005	319
2006	319
2007	319
2008	319

9. DEFERRED CONTRIBUTIONS

Deferred contributions represent the portion of the provincial operating grant that pertains to expenditures of the following year and donations for various scholarships, bursaries and other specific purposes to be paid out in future years.

		2003		2002
Deferred provincial operating grant				
Balance, beginning of year	$	922	$	176
Amount recognized as revenue during the year		(922)		(176)
Amount received related to following year		667		922
Balance, end of year		667		922
Deferred other contributions				
Balance, beginning of year		1,222		1,091
Amount recognized as revenue during the year		(399)		(425)
Amount received related to following year		604		556
Balance, end of year		1,427		1,222
	$	2,094	$	2,144

10. DEFERRED CAPITAL CAMPAIGN CONTRIBUTIONS

Deferred capital campaign contributions represent donations received for capital fundraising campaigns. The donations are being amortized on the same basis as the capital assets to which they relate. The changes in the deferred capital campaign contributions balance are as follows:

		2003		2002
Balance, beginning of year	$	3,028	$	2,732
Less: Amortization of deferred capital campaign contributions during the year		(196)		(189)
Add: Donations received during the year		155		485
Balance, end of year	$	2,987	$	3,028

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of grants, donations and other revenue received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balance are as follows:

	2003	2002
Balance, beginning of year	$ 10,937	$ 4,040
Less: Amortization of deferred contributions	(2,360)	(1,529)
Add: Contributions received for capital purposes	5,558	7,876
Add: Donations-in-kind	316	550
Balance, end of year	$ 14,451	$ 10,937

12. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	2003	2002
Capital assets	$ 37,155	$ 18,393
Less: Amounts financed by deferred capital campaign contributions	(2,987)	(3,028)
Less: Deferred capital contributions	(14,451)	(10,937)
Less: Amounts financed by promissory note	(12,458)	-
Less: Amounts financed by capital lease	(3,168)	(1,075)
Balance, end of year	$ 4,091	$ 3,353

The change in investment in capital assets is calculated as follows:

	2003	2002
Purchase of capital assets internally financed	$ 2,879	$ 966
Amortization of capital assets	(4,697)	(3,162)
Amortization of deferred capital contributions	2,360	1,529
Amortization of deferred capital campaign contributions	196	189
Loss on disposals of capital assets	-	(3)
Increase (decrease) in investment in capital assets	$ 738	$ (481)

13. RESTRICTIONS ON NET ASSETS

Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income on these resources is externally restricted to provide various scholarships, bursaries and other expenditures of future years.

Internally restricted net assets consist of the following:

	2003	2002
Reserve against future contingencies	$ **433**	$ 315
Contract training net proceeds	**154**	-
	$ **587**	$ 315

The College's Board of Governors has internally restricted $433 as a reserve against future contingencies.

Under a College internal best practice guideline, net proceeds earned from designated contract training activities are eligible for expenditure under certain conditions, in the year following contract completion.

14. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2003	2002
Decrease (increase) in accounts receivable	$ **679**	$ (1,382)
(Increase) decrease in inventories	**(124)**	351
Decrease (increase) in prepaid expenses	**28**	(94)
Increase in accounts payable	**2,471**	1,090
Increase in deferred revenue	**406**	219
Increase in non-cash working capital	$ **3,460**	$ 184

15. PENSION COSTS AND OBLIGATIONS

The College, together with other related and unrelated parties, is part of a defined benefit pension plan (Civil Service Superannuation Plan) that satisfies the definition of a multi-employer plan. The costs of the benefit plan are not allocated to the individual entities within the group. As a result, individual entities within the group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

The College's total plan expense related to the pension plan was $33 (2002 - $ 0). These contributions represent the total pension obligations of the College. The College is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

16. COMMITMENTS

The College leases classroom and office space in Winnipeg, Portage La Prairie, Steinbach and Winkler, Manitoba. The College has also contracted for services, as well as leased certain computer and other equipment. Minimum annual lease and contractual commitmen payments for accommodation, services, construction costs and equipment, in aggregate, fo each of the next five years, are as follows:

2004	$ 2,465
2005	2,309
2006	1,755
2007	1,319
2008	816

17. BUDGET

The budget figures included on the statement of operations are unaudited.

The College's budget differs from Canadian generally accepted accounting principles with regard to capital transactions. Capital revenues are projected in the year in which they are expected to be received as are the capital assets that are expected to be purchased with those revenues. Capital amortization is recorded for the College's strategic business units. All leases are treated as operating leases and lease payments are budgeted in the year they will be incurred.

The budget presented represents the College's operating and capital budget and does not include trust and endowment transactions. The operating budget only includes a provision for retirement severance pay that is expected to be paid during the current year.

18. CHARITABLE STATUS

The College is a registered charity under the Income Tax Act.

19. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for 2003.

20. SUBSEQUENT EVENTS

a. Princess Street Campus

Subsequent to year-end, the College paid $22,495 for Phase 2 construction and infrastructure costs of the Princess Street Campus. A promissory note to the Province of Manitoba was issued in the amount of $21,500. The note carries interest at 6.3% per annum and is repayable under the terms of $121 per month in blended principal and interest from August 2003 to July 2008 and $49 per month in principal plus interest on the outstanding principal from August 2008 to July 2042.

To the Board of Assiniboine Regional Health Authority:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the organization's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Board to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

June 14, 2004

Chief Executive Officer

Chief Financial Officer

To the Board of Directors of Assiniboine Regional Health Authority:

We have audited the consolidated statement of financial position of Assiniboine Regional Health Authority as at March 31, 2004 and the consolidated statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Assiniboine Regional Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing he accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement resentation.

n our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Assiniboine egional Health Authority as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance ith Canadian generally accepted accounting principles as described in Note 2.

he comparative figures for the year ended March 31, 2003 were audited by other auditors, who expressed an opinion without servations in their report dated June 19, 2003.

Meyers Norris Penny LLP

randon, Manitoba

une 14, 2004

Chartered Accountants

Assiniboine Regional Health Authority

Consolidated Statement of Financial Position

As at March 31, 2004

	2004	2003
Assets		
Current Assets		
Cash	8,133,825	9,702,406
Marketable securities	3,201,843	3,063,007
Accounts receivable (Note 3)	1,287,001	1,548,282
Due from Manitoba Health (Note 4)	-	120,658
Deferred vacation entitlement (Note 5)	6,484,052	5,271,966
Inventories	1,325,251	1,225,023
Prepaid expenses	298,080	191,858
	20,730,052	21,123,200
Deferred retirement obligation (Note 6)	8,669,925	7,265,654
Capital assets (Note 7)	76,220,429	77,450,923
Trust assets	89,886	75,796
	105,710,292	105,915,573
Liabilities and Net Assets		
Current Liabilities		
Lines of credit (Note 8)	1,241,150	944,624
Accounts payable and accrued liabilities	6,238,156	7,233,855
Due to Manitoba Health (Note 4)	1,505,139	-
Current portion of long-term debt (Note 9)	617,516	444,325
Deferred vacation entitlement (Note 5)	6,484,052	5,271,966
	16,086,013	13,894,770
Long-term debt (Note 9)	10,774,124	11,538,023
Capital lease obligations	11,486	28,194
Deferred retirement obligation (Note 6)	8,669,925	7,265,654
Deferred contributions (Note 10)	66,947,795	69,184,443
Trust liabilities	89,886	75,796
	102,579,229	101,986,880
Commitments and contingencies (Note 13)		
Net Assets		
Invested in capital assets	3,569,203	3,920,887
Internally restricted (Note 12)	60,729	60,729
Unrestricted	(498,869)	(52,923)
	3,131,063	3,928,693
	105,710,292	105,915,573

Approved on behalf of the Board:

Director

Director

Assiniboine Regional Health Authority
Consolidated Statement of Operations
For the year ended March 31, 2004

	2004	2003
Revenues		
Manitoba Health operating income (Note 11)	**100,254,602**	93,880,837
Authorized/residential charges	**11,704,727**	11,745,666
Amortization of deferred contributions	**4,030,958**	3,973,627
Other income	**3,017,548**	3,132,025
Ancillary	**1,298,735**	908,121
Province of Manitoba	**1,332,189**	853,475
	121,638,759	114,493,751
Expenses		
Acute care	**38,067,038**	40,362,808
Long-term care	**41,592,307**	36,245,374
Community-based home care services	**9,618,233**	9,292,063
Medical remuneration	**9,944,685**	9,314,229
Community-based health services	**4,247,241**	3,428,354
Land ambulance	**3,638,322**	3,168,644
Community-based mental health services	**1,408,012**	1,279,347
Community-based therapy services	**741,497**	717,291
Community-based services administration	**493,983**	565,016
	109,751,318	104,373,126
Other Undistributed Costs		
Regional health authority costs	**5,481,244**	4,797,740
Amortization of capital assets	**4,327,157**	4,089,205
Interest on long-term debt	**466,597**	456,227
Ancillary	**1,220,785**	877,727
Pre-retirement	**507,130**	470,294
Transition, job action costs and other	**434,233**	356,593
Total expenses and other undistributed costs	12,437,146	11,047,786
Excess (deficiency) of revenues over expenses	**(549,705)**	(927,161)

Assiniboine Regional Health Authority
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2004

	Invested in Capital assets	*Internally Restricted*	*Unrestricted*	**2004**	2003
Balance, beginning of year	3,920,887	60,729	(52,923)	**3,928,693**	2,809,362
Change in statement presentation					
Equity for EPH				-	306,581
MRHA 2002 net income				-	160,523
2000 In-Globe recovery				-	1,668,314
Balance, beginning of year as restated	3,920,887	60,729	(52,923)	**3,928,693**	4,944,780
Transfer to deferred contributions	(3,997)			**(3,997)**	(88,926)
Investment in capital assets	(347,687)		347,687	-	-
Excess (deficiency) of revenues over expenses			(549,705)	**(549,705)**	(927,161)
Transfer to MHRC payable			(39,950)	**(39,950)**	-
Reclassification from prior year			(203,978)	**(203,978)**	-
Balance, end of year	**3,569,203**	**60,729**	**(498,869)**	**3,131,063**	3,928,693

Assiniboine Regional Health Authority

Consolidated Statement of Cash Flows

For the year ended March 31, 2004

	2004	2003
Cash Flows from Operating Activities		
Excess (deficiency) of revenues over expenses	**(549,705)**	(927,161)
Adjustments for		
Loss (gain) on disposal of capital assets	**(54,122)**	12,002
Amortization of deferred contributions	**(4,030,958)**	(3,973,627)
Amortization of capital assets	**4,327,157**	4,089,205
	(307,628)	(799,581)
Changes in non-cash working capital balances		
Accounts receivable	**261,281**	(421,360)
Inventories	**(100,228)**	73,975
Prepaid expenses	**(106,222)**	225,645
Marketable securities	**(138,836)**	(144,467)
Due from (to) Manitoba Health	**1,625,797**	2,535,290
Accounts payable and accrued liabilities	**(995,699)**	1,420,177
	238,465	2,889,679
Cash Flows from Investing and Financing Activities		
Change in capital assets	**(3,096,663)**	(3,870,399)
Increase in deferred contributions	**1,794,310**	6,795,866
Increase (decrease) in long-term debt	**(310,890)**	(1,525,696)
Increase (decrease) in net assets	**(193,803)**	-
	(1,807,046)	1,399,771
Increase (decrease) in cash and cash equivalents during the year	**(1,568,581)**	4,289,450
Cash and cash equivalents, beginning of year	**9,702,406**	5,412,956
Cash and cash equivalents, end of year	**8,133,825**	9,702,406

1. Purpose of the organization

The Assiniboine Regional Health Authority is a non-profit organization incorporated without share capital under the laws of Manitoba. Through participation and teamwork, the Assiniboine Regional Health Authority's mission is to share in enhanced well-being through the delivery of quality health services, within available resources, that are responsive to the needs of the population

The organization is a registered charity and, as such, is exempt from income taxes and may issue income tax receipts to donors.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Revenue recognition

The Health Authority follows the deferral method of accounting for contributions including government grants and donations.

The Health Authority is funded primarily through grants from Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. In accordance with funding arrangements with Manitoba Health, estimated final settlements are accrued in the fiscal period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Where a grant or other restricted contribution is received but relates to expenses of one or more future periods, it is deferred and recognized as revenue in the same period as the related expenses are recognized. Contributions restricted for the purchase of capital assets or to repay a mortgage as a lump sum are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Contributed services

A number of individuals donate significant amounts of time to the Health Authority's activities. No amount is reflected in the statements for donated services since no objective basis is available to measure the value of such services.

Marketable securities

Marketable securities are valued at the lower of cost and market value. These marketable securities have a fair market value of $3,261,357 as at March 31, 2004, with interest rates ranging from 4.75% to 8.75% and maturing from December 1, 2005 to June 1, 2029.

Inventories

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

Capital assets

Capital assets are initially recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Buildings	straight-line	10-40 years
Equipment, computers, vehicles, ambulance equipment	straight-line	5-10 years
Land improvements	straight-line	15 years

2. Significant accounting policies *(continued)*

Retirement entitlement obligations

The Health Authority applies the accounting recommendations for employee future benefits contained in *Section 3461* of the *Canadian Institute of Chartered Accountants' Handbook.*

Basis of consolidation

The following entities have been consolidated into these financial statements as at March 31, 2004 respectively.

Hamiota District Health Centre Inc. Lilac Residence (East Wing)
Hamiota District Health Centre Inc. Lilac Residence (North Wing)
Morley House of Shoal Lake Elderly Persons Housing
Morley House of Shoal Lake Lakeshore Lodge
Pioneer Lodge Inc.
Riverdale Personal Care Home Inc. Westwood Lodge
Tiger Hills Villa Inc.

The financial statements of the above entities are prepared in accordance with the accounting principles required by Manitoba Housing and Renewal Corporation (MHRC). The differences in accounting policies used by the above entities and Assiniboine Regional Health Authority would not result in significant changes to these consolidated financial statements.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

3. Accounts receivable

	2004	*2003*
Trade receivables	**1,231,699**	1,487,591
GST receivable	**181,340**	179,666
Allowance for doubtful accounts	**(126,038)**	(118,975)
	1,287,001	**1,548,282**

4. Due from (to) Manitoba Health

	2004	*2003*
Out-of-Globe 2003/2004	**(898,337)**	-
Out-of-Globe 2002/2003	**(606,802)**	120,658
	(1,505,139)	120,658

In-Globe Funding

In-Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out-of-Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In-Globe deficits, unless otherwise approved by Manitoba Health.

Out-of-Globe Funding

Out-of-Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Health Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Health Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Health Authority.

5. Deferred vacation entitlement

The liability for the accrued vacation entitlement together with the appropriate amount receivable from Manitoba Health has been recorded.

6. Deferred retirement obligation

	2004	*2003*
Members of the Health Employees Pension Plan	**7,545,925**	6,258,454
Members of the Civil Service Superannuation Plan	**1,124,000**	1,007,200
	8,669,925	7,265,654

Accrued retirement entitlement

The Health Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employees Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

i) has ten years service and has reached the age of 55 or
ii) qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or
iii) retires at or after age 65 or
iv) terminates employment at any time due to permanent disability

The Health Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan, employed by Manitoba Health on or before May 2, 2003, is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service
- two weeks of additional severance pay for each increment of five years service past the 15 years of service up to 30 years of service

Funding for the retirement obligation is recoverable from Manitoba Health on an out of globe basis in the year of payment.

6. Deferred retirement obligation *(continued)*

Pension plans

Most of the employees of the Authority are members of the Health Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the *Canadian Institute of Chartered Accountants' Handbook, Section 3461*.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2002, indicates that the plan is fully funded. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $2,734,370 (2003 - $2,546,102) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is reflected in the financial statements relating to the effects of participating in the Plan by the Authority and its employees.

7. Capital assets

		2004		*2003*
	Cost	*Accumulated Amortization*	***Net Book Value***	*Net Book Value*
Land	518,043	-	**518,043**	499,413
Land improvements	2,265,646	1,498,421	**767,225**	806,694
Buildings	92,013,908	32,343,411	**59,670,497**	53,826,661
Equipment, computers, vehicles, ambulance equipment	46,725,855	38,346,786	**8,379,069**	8,040,568
Construction in progress	6,885,595	-	**6,885,595**	14,277,587
	148,409,047	72,188,618	**76,220,429**	77,450,923

8. Lines of credit

The Assiniboine Regional Health Authority has $4,200,000 authorized lines of credit bearing interest at the bank's prime rate minus 0.65%. Security provided on these lines of credit include an overdraft borrowing agreement and a letter of comfort from Manitoba Health.

9. Long-term debt

	2004	*2003*
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 4.97% to 10.50%, due from October 1, 2006 to May 1, 2029, with monthly payments of principal and interest from $149 to $6,750, secured by buildings.	**7,794,865**	8,111,106
Mortgages payable to Manitoba Housing and Renewal Corporation at interest rates from 7.75% to 10.75%, due from December 31, 2022 to December 31, 2023, with monthly payments of principal and interest from $5,478 to $6,479 secured by buildings.	**1,296,488**	1,321,689
Mortgage payable to Tiger Hills Credit Union Limited, at 5.00%, monthly payments of $8,684 principal and interest, secured by a first charge against the Tiger Hills Villa land and buildings, a general assignment of all rents and leases and a chattel mortgage covering the appliances in the Tiger Hills Villa.	**1,134,537**	1,181,337
Demand loans payable to Royal Bank at prime less 0.50%, with monthly interest only payments.	**20,004**	26,700
Flex loans payable to Royal Bank at variable rates, due every 91 days, payments of principal and interest, due at the end of the term, secured by a Manitoba Health guarantee.	**1,128,946**	1,303,116
Debentures payable at 13.38%, due from October 31, 2003 to November 15, 2004, repayable in monthly payments of principal from $900 to $1,400 plus interest secured by the building and an implicit guarantee by Manitoba Health.	**16,800**	38,400
	11,391,640	11,982,348
Less current portion	**617,516**	444,325
	10,774,124	11,538,023

Principal repayments for the next five years and thereafter are as follows:

2005	617,516
2006	625,433
2007	604,284
2008	611,010
2009	550,971
Thereafter	8,382,426
	11,391,640

10. Deferred contributions

Expended and unexpended deferred contributions represent restricted capital funding received from Manitoba Health.

Expended deferred contributions related to capital assets represent the unamortized amount of funds received for the purchase of capital assets and the lump sum repayment of capital debt. The amortization of capital deferred contributions is recorded as revenue in the statement of operations.

Unexpended deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment, major repairs, construction and other expenses.

Other deferred contributions represent donations were received from other sources restricted by site or by program for the purchase of capital assets or other items, as per the donor's request.

	Expended	**Unexpended**	**Other**	**2004**	2003
Balance, beginning of year	**61,225,994**	**4,868,083**	**3,090,366**	**69,184,443**	44,645,350
Change in statement presentation				**-**	(249,492)
Reclassification to deferred contributions				**-**	21,966,346
Beginning of year, as restated	**61,225,994**	**4,868,083**	**3,090,366**	**69,184,443**	66,362,204
Funding Manitoba Health	**2,600,604**	**1,140,909**		**3,741,513**	2,891,901
Donations received			**933,223**	**933,223**	1,363,189
Interest earned		**5,599**	**139,745**	**145,344**	73,107
Other receipts		**34,246**		**34,246**	973,879
Capital asset purchases	**2,593,769**	**(1,281,882)**	**(859,054)**	**452,833**	569,447
Re-classification to payables		**(1,275,840)**	**(577,650)**	**(1,853,490)**	(245,968)
Amortization	**(3,969,412)**	**(6,562)**		**(3,975,974)**	(3,699,666)
Deferred income-other			**5,969**	**5,969**	1,056,873
Principal payments on other obligation	**(1,061,084)**			**(1,061,084)**	-
Reclassification	**(1,069,151)**	**409,923**		**(659,228)**	-
Transfer to net assets				**-**	(160,523)
Balance, end of year	**60,320,720**	**3,894,476**	**2,732,599**	**66,947,795**	69,184,443

11. Manitoba Health operating income

	2004	2003
Revenue as per Manitoba Health's final funding document	**104,797,861**	97,328,984
Add:		
CUPE wage parity	**-**	1,104,768
MGEU community support	**35,297**	264,722
MGEU professional technical	**317,997**	68,499
MNU related funding	**-**	97,683
Accreditation survey fees	**29,376**	26,400
Pre-retirement leave	**107,130**	70,294
Past commitments	**-**	167,761
Long-term care adjustment	**-**	300,000
Pharmacists' bonus adjustment	**-**	1,707
Principal on approved borrowing	**-**	27,549
Pharmacists' R & R bonuses	**84,045**	52,954
ER on Call 2001/2002 Retro	**-**	106,480
Authorized and residential charges 2002/2003	**34,409**	-
MMA wage settlements 2002/2003 & 2003/2004	**327,515**	-
Community Health Assessment	**69,891**	-
Nursing Safety & Security	**37,864**	-
ICD-10 Project	**23,949**	-
Primary Health Care Phase 1	**133,709**	-
Primary Health Care Phase 2	**125,899**	-
	1,327,081	2,288,817
Deduct:		
Authorized and residential charges	**(677,357)**	(750,287)
Capital interest	**(47,863)**	(49,801)
Medical remuneration	**(799,649)**	(616,807)
CUPE wage parity 2002/2003	**(1,375)**	-
Other miscellaneous	**(675)**	-
	(1,526,919)	(1,416,895)
Total funding approved by Manitoba Health	**104,598,023**	98,200,906
Deduct:		
Amounts recorded as deferred contributions:		
Capital funding	**(3,017,360)**	(2,891,901)
Capital interest on loans reclassified to deferred contributions	**(1,326,061)**	(1,428,168)
	100,254,602	93,880,837

12. Internally restricted net assets

The Board of Directors has restricted $60,729 (2003 - $60,729) in net assets as this amount represents insurance proceeds received due to a fire and destruction of an ambulance. The funds have been internally restricted for the purchase of an ambulance in future years.

13. Commitments and contingencies

The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2004 management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit person's reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2004.

14. Financial instruments

The organization as part of its operations carries a number of financial instruments. It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Fair value disclosure

The carrying values of current financial assets and liabilities approximate their fair values, due to the short-term nature of these instruments.

The carrying value of the Health Authority's floating rate long-term debt approximates its fair value, because interest charges under the terms of the debt are based upon current Canadian bank prime rates.

It is not practicable within the constraints of timeliness or cost to determine the fair value of investments in or advances to and from related entities including Manitoba Health, because these instruments are not traded in an organized financial market.

15. Economic dependence

Assiniboine Regional Health Authority receives a substantial portion of its revenue from Manitoba Health.

16. Financial information at different dates

The following entities have been consolidated into these financial statements as at December 31, 2003:

Baldur Handi-Van Service
Glenboro Handi-Van Service
Hartney Handi-Transit
Souris Handi-Transit
Tiger Hills Handi-Van Service

These entities have not been reported as at March 31, 2004 due to the reporting requirements of their funding agency: The Province of Manitoba – Department of Highways and Transportation. There have been no significant transactions in the intervening period between December 31, 2003 and March 31, 2004, and their revenues and expenses for the three-month intervening period have not been prepared since these entities are not significant to the Assiniboine Regional Health Authority as a whole.

17. Accounting treatment for Foundations

Assiniboine Regional Health Authority has not disclosed the inter-relationships nor the degree of economic dependence with its Foundations because the group of controlled organizations is comprised of a large number of organizations that are individually immaterial to the Assiniboine Regional Health Authority as a whole and the expense and effort of preparing consolidated financial statements would far exceed the benefits from doing so.

18. Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.

MNP
MEYERS NORRIS PENNY

To The Board of Directors
Assiniboine Regional Health Authority

AUDITORS' REPORT

We have audited the Schedule of Employee Compensation greater than or equal to $50,000 of Assiniboine Regional Health Authority for the year ended December 31, 2003. This schedule is the responsibility of the Organization's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule.

In our opinion, this schedule presents fairly, in all material respects, employee compensation greater than or equal to $50,000 of Assiniboine Regional Health Authority for the year ended December 31, 2003.

Meyers Norris Penny LLP
Chartered Accountants

Brandon, Manitoba
June 15, 2004

Assiniboine Regional Health Authority
Public Sector Compensation Disclosure

For the year ended December 31, 2003

Basis of Presentation

This statement includes all facilities and programs that have devolved to the Assiniboine Regional Health Authority.

Statement of Compensation Disclosure

It is the requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of aggregate compensation paid to members of the Board of Directors, and of individual compensation in an amount exceeding $50,000 annually to any member of council, officer or employee of the Assiniboine Regional Health Authority for the year ended December 31, 2003.

a) Compensation paid to members of the Board of Directors amounted to $56,086.67 in aggregate;

b) There were no members of the Board of Directors receiving compensation in excess of $50,000 individually;

c) Compensation paid to the following employees includes all salaries and allowances, overtime payments, retirement or severance payments, lump sum payments, vacation payouts, taxable benefits and bursaries.

Assiniboine Regional Health Authority
Public Sector Compensation Disclosure

For the year ended December 31, 2003

Name	Position	Amount
ADRIAANSEN, K.	Pharmacy Manager	71,609
ALBERTS, H.	Physician	60,352
ALLEN, JODY	Planning Manager	55,740
ANDERSON, M.	Registered Nurse	60,978
ANDREW, M.	Community Health Director	71,239
ANGUS-WOOD, M	Registered Nurse	61,720
BARON, L.	Public Health Nurse	62,706
BARTLETT, J.	Executive Director, Support Services	98,486
BARDSLEY, B.	Registered Nurse	52,156
BATEMAN, E.	Registered Nurse	50,313
BAUER, KAREN	Registered Nurse	53,104
BAYES, K.	Program Manager	73,623
BEAMISH, P.	Registered Nurse	54,224
BEAMISH, R.	Lab & X-Ray Technician	68,375
BEARD, M.	Registered Nurse	56,518
BEAUCHAMP, D.	Physician	152,286
BEAKER, L.	Client Care Coordinator	69,221
BELINSKI, A.	Registered Nurse	54,236
BERRY, G.	Community Health Director	70,250
BERTRAND, M.	Mental Health Worker	52,404
BIRCHAM, J.	Registered Nurse	54,236
BIRNIE, N	Client Care Coordinator	63,214
BOAKE, M.	Registered Nurse	61,300
BOSSART, L.	Chief HR & Communication Officer	57,556
BRENEMAN, C.	Physician	157,954
BROWN, J.	Registered Nurse	60,198
BROWN, M.	Lab & X-Ray Technician	62,359
BURDETT, S.	Registered Nurse	62,256
BUYDENS, C.	Client Care Coordinator	58,946
CAMERON, C.	Client Care Coordinator	63,152
CAMERON, W.	Client Care Coordinator	62,369
CARNEGIE, D.	Program Manager	70,007
CARSEN, M.	Area Manager	70,007
CHANDLER, G.	Lab & X-Ray Technician	73,033
CHARTRAND, P.	Lab & X-Ray Technician	73,485
CHEGWIN, P.	Executive Director-Programs	71,954

Name	Position	Amount
CHUTE, E.	Registered Nurse	62,360
CIPRICK, D.	Registered Nurse	55,421
CLARK, D.	Registered Nurse	61,847
CLARK, J.	Lab & X-Ray Technician	83,102
CLARK, L.	Pharmacist	64,615
CLEVETT, D.	VP, Community & Long Term Care	103,904
COCHRANE, P.	Public Health Nurse	64,740
COCKBURN, P.	VP - Planning & Acute Care	109,529
CORMACK, C.	Palliative Care Coordinator	52,524
COULSON, J.	Registered Nurse	55,284
COE, L.	Registered Nurse	55,838
CRASKE, J.	Registered Nurse	55,352
COOK, K.	Registered Nurse	51,257
CRUICKSHANK, G.	Registered Nurse	59,828
CULLEN, M.	Registered Nurse	53,019
CURRIE, H.	Registered Nurse	51,587
CURRIE, T	Registered Nurse	53,700
DALLAIRE, G.	Registered Nurse	63,833
DANIELSON, G.	Client Care Coordinator	73,032
DARLING, J.	Registered Nurse	61,752
DAVIES, S.	Registered Nurse	50,298
DEBACKERE, M.	Registered Nurse	64,314
DEELEY, M.	Registered Nurse	66,128
DEELEY, T.	Lab & X-Ray Technician	68,605
DEVONISH, A.	Registered Nurse	58,471
DICKSON, S.	Education Manager	63,234
DMYTRIW, D.	Maintenance Supervisor	50,144
DONOUGH, D.	Home Care Case Coordinator	62,794
DYCK, D.	Home Care Case Coordinator	62,794
EDMUNDS, S.	Registered Nurse	52,765
ENGLISH, K.	Lab & X-Ray Technician	56,101
ERNEST, M.	Registered Nurse	59,148
EVAN, N.	Registered Nurse	53,775
FALKEVITCH, S.	Registered Nurse	57,137
FRASER, K.	Lab & X-Ray Technician	79,972
FRASER, M.	Home Care Case Coordinator	52,807
FRIESEN, R.	Mental Health Worker	52,668
FRY, D.	Client Care Coordinator	67,702
GABLER, J.	Client Care Coordinator	54,587
GAMEY, N.	Program Manager	66,461

Name	Position	Amount
GAMEY-KOSCIELNY, K.	Social Worker	51,418
GARDNER, K.	Public Health Nurse	63,178
GARLICK, L.	Registered Nurse	53,285
GERELUS, L.	Public Health Nurse	61,637
GERVIN, M.	Registered Nurse	57,908
GILL, D.	Registered Nurse	55,773
GLUSHKA, K.	Registered Nurse	64,096
GOGAL, S.	Lab & X-Ray Technician	68,427
GRANT-WEISBERG, D.	Mental Health Worker	52,512
GREENLAY, T.	Lab & X-Ray Technician	76,761
GUDNASON, B.	Client Care Coordinator	62,191
GUNSON, A.	Physician	68,324
HACHKOWSKI, J.	Registered Nurse	59,772
HANLIN, D.	Mental Health Worker	56,901
HARAPIAK, S.	Registered Nurse	59,214
HART, S.	Lab & X-Ray Technician	61,317
HEAMAN, S.	Finance controller	61,214
HEATH, M.	Registered Nurse	52,174
HENUSET, G.	Client Care Coordinator	79,227
HYDE, S.	Registered Nurse	60,053
ISHAM, K.	Registered Nurse	59,669
ISMAN, V.	Psychologist	62,603
JARDINE, J.	Mental Health Worker	52,535
JEFFERIES, C.	Home Care Case Coordinator	62,952
JENKINS, H.	Client Care Coordinator	58,878
JOHNSTON, L.	Client Care Coordinator	63,697
JONES, L.	Program Manager	69,884
JONES, R.	Mental Health Worker	52,626
JORDAN, M.	Registered Nurse	59,543
JUCE, K.	Physician	113,397
JUDD, K.	Client Care Coordinator	75,750
KALUZNIAK, C.	Client Care Coordinator	65,637
KASTRUKOFF, L.	Lab & X-Ray Technician	55,356
KELLETT, B.	Registered Nurse	59,151
KELLY, R.	Licensed Practical Nurse	50,469
KEMPTHORNE, A.	Registered Nurse	60,719
KING, B.	Lab & X-Ray Technician	57,123
KINGDON, D.	Registered Nurse	59,426
KIRKWOOD, D.	Lab & X-Ray Technician	66,727
KOPYTKO, M.	Public Health Nurse	61,802

Name	Position	Amount
KOSTESKY, B.	Area Manager	68,444
KOSTESKY, J.	Registered Nurse	50,336
KOWAL, J.	Mental Health Worker	52,525
KOWALUK, G.	Area Manager	67,002
KRESHEWSKI, D.	Client Care Coordinator	57,696
KRISTJANSON, D.	Physician	174,293
KROEGER, K.	Mental Health Worker	51,201
LAING, L.	Registered Nurse	63,371
LALIBERTE, G.	Client Care Coordinator	57,189
LANGFORD, K.	Facility Coordinator	62,411
LEE, S.	Registered Nurse	55,531
LEES, D.	Registered Nurse	54,450
LEMOING, R.	Registered Nurse	51,817
LESAGE, D.	Lab & X-Ray Technician	73,381
LEVREAULT, T.	Registered Nurse	59,284
LIVINGSTONE, M.	Registered Nurse	56,811
LOEPPKY, J.	Lab & X-Ray Technician	72,113
LOTTERING, W.	Physician	146,861
LUSTIG, A.	Facility Coordinator	65,209
LYNG, C.	Registered Nurse	55,196
MALITEARE, L.	Registered Nurse	62,193
MARTIN, P.	Program Manager	71,655
MARYNIUK, H.	Program Manager	69,332
MATIATION, K.	Client Care Coordinator	64,397
MAXWELL, G.	Area Manager	70,158
MCCLELLAND, C.	Human Resource Manager	70,157
MCCONNELL, B	Mental Health Worker	52,394
MCCREERY, A.	Registered Nurse	58,636
MCDOUGALL, S.	Registered Nurse	51,277
MCFADDEN, J.	Registered Nurse	62,928
MCFADZEAN-MAIN, K.	Lab & X-Ray Technician	62,624
MCFALL, B.	Client Care Coordinator	61,473
MCGREGOR, M.	Area Manager	70,158
MCINTYRE, P.	Lab & X-Ray Technician	57,963
MCKELVY, V.	Registered Nurse	52,384
MCKINNON, D.	Registered Nurse	53,274
MCKINNON, S.	Registered Nurse	50,773
MCLEOD, B	Pharmacist	75,010
MCNEILL, M.	Registered Nurse	55,091
MCPHERSON, C.	Registered Nurse	52,851

Name	Position	Amount
MCPHERSON, D.	Registered Nurse	51,195
MEAD, M.	Public Health Nurse	62,968
MICHALUK, D.	Registered Nurse	59,985
MICHALUK, G.	Ultrasound Technician	54,051
MILLER, D.	Lab & X-Ray Technician	66,897
MILLER, E.	Registered Nurse	64,561
MINTY, L.	Home Care Case Coordinator	52,411
MORRIS, A.	Lab & X-Ray Technician	67,449
MORRISON, H.	Registered Nurse	62,329
MULLIN, L.	Registered Nurse	56,428
MUNRO, P.	Home Care Case Coordinator	52,939
NAVID, M.	Registered Nurse	58,698
NAY, S.	Client Care Coordinator	64,789
NELSON, J.	Registered Nurse	60,057
NEUFELD, E.	Home Care Case Coordinator	52,501
NEWTON, K.	Registered Nurse	59,852
NYLEN, B.	Lab & X-Ray Technician	74,159
OBACH, D.	Area Manager	74,658
OLIVER, M.	Registered Nurse	67,229
OLMSTEAD, S.	Registered Nurse	51,777
PADDOCK, G.	Area Manager	64,799
PADDOCK, M.	Public Health Nurse	62,860
PARENTEAU, K.	Registered Nurse	63,290
PARSON-SMITH, K.	Registered Nurse	56,515
PATTERSON, P.	Registered Nurse	54,820
PETERSON, H.	Registered Nurse	63,496
PINKERTON, L.	Lab & X-Ray Technician	64,475
POSPISIL, N.	Registered Nurse	57,316
PRESTON, D.	Lab & X-Ray Technician	75,612
PRESTON, F.	Lab & X-Ray Technician	61,815
PRITCHARD, M.	Registered Nurse	53,557
RAKAI, J.	VP - Corporate Services	90,609
RANSON, A.	Physician	85,206
RILEY, J.	Registered Nurse	55,000
ROBERTSON, D.	Registered Nurse	50,656
ROBERTSON, E.	Community Health Director	74,202
ROBINSON, C.	Registered Nurse	55,092
ROCAN, P.	Lab & X-Ray Technician	86,014
ROSE, E.	Public Health Nurse	62,794
RUPA, C.	Registered Nurse	59,694

Name	Position	Amount
RUSSELL, H.	Registered Nurse	61,715
SCHAFFER, L.	Registered Nurse	54,146
SCHMALL, S.	Registered Nurse	55,807
SCHOONBAERT, E.	Registered Nurse	60,012
SCOTT, D.	Registered Nurse	52,261
SEAFOOT, B	Registered Nurse	57,554
SHEARER, P.	Registered Nurse	52,996
SHEFFIELD, P.	Public Health Nurse	62,209
SHERIDAN, H.	Home Care Case Coordinator	54,804
SHERIDAN, L.	Lab & X-Ray Technician	69,946
SHORT, G.	Registered Nurse	61,776
SLACK, J.	Mental Health Worker	50,780
SLATER, J.	Registered Nurse	62,567
SLON, C.	Registered Nurse	53,796
SLATER, S.	Client Care Coordinator	65,963
SMITH, K.	Registered Nurse	62,928
SORENSEN, P.	Chief Executive Officer	152,228
SPEISS, D.	Lab & X-Ray Technician	78,116
STEPHENSON, J.	Public Health Nurse	62,686
STEPHENSON, L.	Registered Nurse	82,097
STEWART, D.	Chief Information Officer	55,298
STILWELL, E.	Lab & X-Ray Technician	66,853
TAKVAM, K.	Chief Finance Officer	79,480
TANGUAY, C.	Lab & X-Ray Technician	52,868
TEETAERT, M.	Palliative Care Coordinator	52,524
THOMPSON, J.	Client Care Coordinator	65,071
TOMPSETT, D.	Client Care Coordinator	63,105
TOWLER, B.	Area Manager	64,750
TURNER, I.	Client Care Coordinator	64,217
TURNER, L.	Lab & X-Ray Technician	70,695
USICK, A.	Client Care Coordinator	61,353
VAN DE WOESTYNE, L.	Registered Nurse	57,361
VANVUUREN, M.	Physician	159,772
VANDENBERGHE, D.	Home Care Case Coordinator	50,711
VANDUSEN, N.	Lab & X-Ray Technician	57,114
VIDLER, E.	Registered Nurse	62,864
VIEN, DARQUISE	Registered Nurse	52,670
WAHOSKI, L.	Registered Nurse	59,502
WALDNER, L.	Program Manager	75,151
WALKER, P.	Program Manager	70,007

Name	**Position**	**Amount**
WALKER, L.	Registered Nurse	53,542
WALTER, V.	Registered Nurse	52,733
WAREHAM, T.	Registered Nurse	59,478
WATSON, M.	Registered Nurse	62,327
WEDDALL, L.	Registered Nurse	61,747
WHEELER, M.	Client Care Coordinator	57,246
WHITE, F.	Planning Manager	70,157
WIEBE, B.	Lab & X-Ray Technician	62,419
WOLFE, L.	Lab & X-Ray Technician	70,496
WOYCHESHIN, W.	Registered Nurse	52,950
YAREMCHUK, R.	Area Manager	64,208
ZBORIL, B	EMS District Manager	53,687
ZIMMER, R.	Lab & X-Ray Technician	61,005
BURNETT, DR.	VP - Medical Services	205,790
CELLIERS, DR.	Physician Contract	174,043
COETZEE, DR.	Physician Contract	86,273
GRIMBECK, DR.	Physician Contract	74,817
KRUGER, DR.	Physician Contract	176,870
MADRILEJOS, DR.	Physcian Contract	158,101
MALLICK, DR.	Physician Contract	180,807
MOOLLA, DR.	Physician Contract	188,713
MORTON, DR	Physician Contract	57,973
MULLER, DR.	Physician Contract	185,127
NAWROCKA, DR.	Physician Contract	180,677
PELSER, DR.	Physician Contract	175,786
PETERS, DR.	Physician Contract	155,454
PIO, DR.	Physician Contract	176,870
ROOS, DR.	Physician Contract	165,245
SIMONS, DR.	Physician Contract	168,896
SWANEPOEL, DR.	Physician Contract	168,301
VENTOR, DR.	Physician Contract	185,877
VERMAAK, DR.	Physician Contract	129,969
VILJOEN, DR.	Physcian Contract	117,475
VORSTER, DR.	Physician Contract	180,677
WARD, DR.	Physician Contract	192,450
WHITE, DR.	Physician Contract	151,490

Deloitte

AUDITORS' REPORT

To the Board of Directors of
Brandon Regional Health Authority

We have audited the consolidated statement of financial position of Brandon Regional Health Authority as at March 31, 2004 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Brandon Regional Health Authority as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
June 18, 2004

Brandon Regional Health Authority
Consolidated Statement of Financial Position

March 31	2004	2003 (Restated Note 15)
ASSETS		
CURRENT		
Cash	$ 3,382,179	$ 1,190,375
Accounts receivable (Note 3)	3,772,376	4,812,780
Inventories	1,387,553	1,338,691
Prepaid expenses	1,125,217	770,286
Due From Manitoba Health - Vacation	7,195,733	6,682,294
	16,863,058	**14,794,426**
DUE FROM MANITOBA HEALTH - Pre-retirement	8,686,465	7,635,465
INVESTMENTS (Note 4)	3,716,918	3,829,428
CAPITAL ASSETS (Note 5)	106,783,162	79,812,981
OTHER ASSETS	6,171,307	5,674,396
	$ 142,220,910	**$ 111,746,696**
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 13,837,838	$ 9,867,337
Bank advances	6,206,224	11,398,561
Employee Future Benefits - Vacation	7,195,733	6,682,294
Current portion of obligation under capital lease (Note 7)	349,705	330,522
Current portion of long term debt (Note 6)	364,331	356,338
	27,953,831	**28,635,052**
ACCRUED EMPLOYEE FUTURE BENEFITS - Pre-retirement	8,686,465	7,635,465
OBLIGATION UNDER CAPITAL LEASE (Note 7)	961,904	1,311,609
LONG TERM DEBT (Note 6)	11,434,692	11,567,629
DEFERRED CONTRIBUTIONS (Note 8)		
Expenses of future periods	1,267,073	974,004
Capital assets	85,086,356	54,088,473
	135,390,321	**104,212,232**
NET ASSETS		
Invested in capital assets (Note 9)	3,068,997	4,517,046
Internally restricted (Note 10)	3,446,401	3,456,596
Externally restricted (Note 10)	25,893	26,665
Unrestricted	289,298	(465,843)
	6,830,589	**7,534,464**
COMMITMENTS AND CONTINGENCIES (Note 12)		
	$ 142,220,910	**$ 111,746,696**

Brandon Regional Health Authority
Consolidated Statement of Operations

For the year ended March 31	2004	2003 (Restated Note 15)
REVENUE		
Manitoba Health operating income		
Income as per Funding Document (excluding funding related to Capital and Interest)	$ 120,701,122	$ 117,080,007
One Time Funding	-	1,700,000
Retroactive Salary Payments	1,885,068	1,105,713
Recovery of Non Global Items	1,460,264	510,493
Deferral of Manitoba Health Income	-	(53,270)
Other Manitoba Health Income	4,845,686	3,537,165
Total Manitoba Health Funding (Note 11)	128,892,140	123,880,108
Non-insured income	6,125,360	8,179,463
Other Income	3,378,032	2,507,314
Amortization of deferred contributions	5,246,214	5,502,481
Capital revenue - Non Devolved Facilities	795,287	643,360
Ancillary revenue	3,061,868	2,927,405
	147,498,901	143,640,131
EXPENSES		
Acute Care Services	87,460,371	78,563,471
Long Term Care Services	20,061,634	27,148,577
Medical Remuneration - All Programs	8,100,788	7,607,748
Community Services Administration	805,116	739,746
Community Based Mental Health Services	9,242,859	8,509,084
Community Based Home Care Services	4,784,925	4,506,386
Community Based Health Services	3,258,701	3,057,403
Land Ambulance	213,708	207,593
RHA Administration Costs	2,476,380	2,287,701
Amortization of capital assets	6,336,233	6,087,680
Capital payments - Non Devolved Facilities	795,287	643,360
Interest on capital lease	84,382	40,569
Interest on long term debt	1,112,277	1,300,134
Other operating expenses	754,684	655,657
Ancillary expenses	2,715,431	2,523,128
	148,202,776	143,878,237
Shortfall of revenue over expenses for the year	$ (703,875)	$ (238,106)

ALLOCATION OF SHORTFALL FROM OPERATIONS:

	2004	2003
Investment in Capital Assets - Manitoba Health Activities	$ (920,626)	$ (470,393)
Unrestricted - Manitoba Health Activities	699,714	758,626
Investment in Capital Assets - Non Manitoba Health Activities	(885,489)	(998,321)
Internally Restricted - Non Manitoba Health Activities	403,298	470,757
Externally Restricted	(772)	1,225
	$ (703,875)	$ (238,106)

Brandon Regional Health Authority
Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2004

	Invested In Capital Assets	Internally Restricted	Externally Restricted	Unrestricted	2004 Total	2003 Total
BALANCE, beginning of year	$ 4,517,046	$ 3,456,596	$ 26,665	$ (465,843)	$ 7,534,464	$ 7,772,570
(Shortfall) Excess of revenue over expenses	(1,806,115)	403,298	(772)	699,714	(703,875)	(238,106)
Net change in investment in capital assets	358,066	(413,493)	-	55,427	-	-
BALANCE, end of year	**$ 3,068,997**	**$ 3,446,401**	**$ 25,893**	**$ 289,298**	**$ 6,830,589**	**$ 7,534,464**

Brandon Regional Health Authority
Consolidated Statement of Cash Flows

For the year ended March 31	2004	2003
OPERATING ACTIVITIES		
Shortfall of revenue over expenses	$ (703,875)	$ (238,106)
Items not affecting cash		
Amortization of capital assets	6,336,233	6,087,680
Amortization of deferred contributions related to expenses of future periods	(716,097)	(883,524)
Amortization of deferred contributions related to capital assets	(4,530,117)	(4,618,957)
Changes in non-cash operating working capital items	4,607,112	(681,660)
	4,993,256	(334,567)
FINANCING ACTIVITIES		
Increase in deferred contributions related to expenses of future periods	1,009,166	883,404
Increase in deferred contributions related to capital assets	35,528,000	21,695,718
Increase in bank advances	26,856,276	22,772,672
Repayment of bank advances	(32,048,613)	(16,358,454)
Repayment of long term debt	(124,944)	(117,450)
Repayment of obligation under capital lease	(330,522)	(439,885)
	30,889,363	28,436,005
INVESTING ACTIVITIES		
Purchase of capital assets	(33,306,414)	(28,828,310)
Increase in value of other assets	(496,911)	(473,377)
Purchase of Investments/(Proceeds) from maturity of investments	112,510	(333,067)
	(33,690,815)	(29,634,754)
INCREASE (DECREASE) IN CASH	**2,191,804**	**(1,533,316)**
CASH, BEGINNING OF YEAR	**1,190,375**	**2,723,691**
CASH, END OF YEAR	**$ 3,382,179**	**$ 1,190,375**

1 PURPOSE OF THE ORGANIZATION

The Brandon Regional Health Authority ("Authority") was incorporated under the laws of Manitoba on January 6, 1997. The Authority commenced activity on April 1, 1998. The Authority is principally involved in providing health care services to the community of Brandon and surrounding regions. The Authority is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) *Basis of Reporting*

The Authority provides health care services through devolved and contract facilities. All significant inter-divisional transactions of these organizations have been eliminated.

The assets, liabilities, and operations of the following devolved organizations have been included in these financial statements:

Brandon Regional Health Centre
Child and Adolescent Treatment Centre
Community and Home Care Health Services
Community Mental Health Services
Fairview Home
Rideau Park Personal Care Home
Westman Laundry

The health care services provided by the contract facilities are delivered under the control of the Authority as the major funder. The financial position and results of operations of these related organizations (The Salvation Army Dinsdale Personal Care Home and Westman Regional Laboratory Services Inc.) have not been consolidated. Instead a summary of their financial information has been included in these notes (Note 14).

b) *Revenue recognition*

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) *Revenue recognition (Continued)*

Under the Health Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2004.

Unrestricted contributions are recognized as revenue when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

c) *Contributed services*

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

d) *Inventories*

Inventories are valued at average cost, except pharmacy inventory which is valued at the actual cost using the first in, first out method.

e) *Investments*

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets, excluding vehicles are amortized on a straight-line basis using the following annual rates:

Land & parking lots	10%
Buildings	2.5% - 6.67%
Building service equipment/equipment	5% - 20%

Vehicles are amortized an a declining balance basis using 30% as the annual rate and are included in building service equipment/equipment.

g) *Compensated absences*

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Authority's benefit plans for vacation.

h) *Pre-Retirement entitlement obligation*

The Authority has recorded an accrual based on an actuarial valuation that includes employees who qualify at the fiscal year-end date and an estimate for the remainder of the employees who have not yet met the criteria below. Funding for the retirement entitlement is recoverable from Manitoba Health in the year of payment.

Health Employee Pension Plan

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten years service and have reached the age of 55 or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
- retire at or after age 65
- terminate employment at any time due to permanent disability

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% and a rate of salary increase of 4.0% plus age related merit/promotion scale with nil for disability.

Civil Service Superannuation Plan

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service
- two weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) *Pre-Retirement entitlement obligation (Continued)*

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.5% and a rate of salary increase of 4.0% plus age related merit/promotion scale with nil for disability.

i) *Due From Manitoba Health - Employee Future Benefits*

Funding for vacation entitlements and pre-retirement entitlement obligations is provided by Manitoba Health as part of its regular budget in the period in which expenditures are made. Accordingly, the cost of the estimated accrued vacation pay and pre-retirement entitlement obligations at year end is recorded on the statement of financial position as a receivable from Manitoba Health.

j) *Due to/from Manitoba Health*

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) *Financial Instruments*

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Authority's accounts receivable are comprised mostly of amounts due from the government of Manitoba which minimizes credit risk.

Interest Rate Risk

Interest rate risk is the risk arising from fluctuations in short term interest rates and the volatility of those rates. The Authority mitigates this risk by retaining the option to convert all floating rate borrowings to fixed rate borrowings.

Fair Value

The carrying amount of short term financial assets and liabilities is a reasonable estimate of the fair values because of the short maturity of those instruments. Short term financial assets are comprised of cash, accounts receivable and the current portion of the Due from Manitoba Health - Vacation.
Short term financial liabilities are comprised of accounts payable and accrued liabilities, bank advances and the current portion of Employee Future Benefits - Vacation.

The fair value of the long term receivable Due from Manitoba Health - Pre-retirement and the fair value of the long term obligation Accrued Employee Future Benefits - Pre-retirement could not be determined because there is no set date for repayment.

3 ACCOUNTS RECEIVABLE

	2004	2003
Manitoba Health		
Retroactive Salary Increases	$ 1,448,387	$ 953,686
Other Operations	1,048,902	557,493
Approved Capital Borrowing	(124,156)	(111,673)
Out of Globe - 2001/02	-	27,102
Out of Globe - 2002/03	(384,252)	(94,389)
Out of Globe - 2003/04	(79,350)	-
	1,909,531	1,332,219
Patients	225,725	141,914
Government of Canada - Goods and Services Tax	497,207	398,965
BRHC Foundation , BGH Auxiliary and Westman Laboratory	80,890	1,956,412
Sundry	1,178,126	1,007,391
	3,891,479	4,836,901
Less allowance for doubtful accounts	(119,103)	(24,121)
	$ 3,772,376	$ 4,812,780

4 INVESTMENTS

		2004		
		Cost		Fair Value
Government of Canada Bonds	$	1,180,932		1,209,490
Other Bonds		2,510,472		2,676,724
GICs		25,000		25,442
Other		514		514
	$	3,716,918	$	3,912,170

		2003		
		Cost		Fair Value
Government of Canada Bonds	$	1,642,622	$	1,666,518
Other Bonds		2,159,297		2,235,584
GICs		25,000		25,440
Other		2,509		2,509
	$	3,829,428	$	3,930,051

The fair values of the investments are based on the year end quoted market bid price.

5 CAPITAL ASSETS

		2004				
		Cost		Accumulated Amortization		Net Book Value
Land & parking lots	$	3,401,531	$	802,941	$	2,598,590
Buildings		56,385,671		20,955,391		35,430,280
Building service equipment/equipment		56,544,126		41,528,088		15,016,038
Work in Progress		53,738,254		-		53,738,254
	$	170,069,582	$	63,286,420	$	106,783,162

		2003				
		Cost		Accumulated Amortization		Net Book Value
Land & parking lots	$	3,309,343	$	722,142	$	2,587,201
Buildings		55,978,076		19,660,225		36,317,851
Building service equipment/equipment		52,372,805		36,741,734		15,631,071
Work in Progress		25,276,858		-		25,276,858
	$	136,937,082	$	57,124,101	$	79,812,981

6 LOANS AND MORTGAGES PAYABLE

	2004	2003
School of Nursing Building 5.75% mortgage, repayable $27,241 semi-annually, including interest, maturing 2019. The mortgage is secured by land and buildings.	$ 542,659	$ 564,971
Fairview Home 6% mortgage, repayable $3,907 monthly, including interest, maturing 2018. The mortgage is secured by land and buildings.	453,169	472,345
Fairview Home 7 1/2% mortgage, repayable $2,778 monthly, including interest, maturing 2023. The mortgage is secured by land and buildings.	339,868	347,584
Fairview Home 10 1/8%, sinking fund debenture, repayable $97,318 monthly, including interest, maturing 2008. The indenture documentation assigns the subsidies provided by Manitoba Health for payment of the debenture.	9,250,000	9,250,000
City of Brandon 6.5% loan, repayable $159,529 annually, including interest, maturing 2015.	1,213,327	1,289,067
	11,799,023	11,923,967
Less current portion	(364,331)	(356,338)
	$ 11,434,692	**$ 11,567,629**

The fair value of the Authority's long term debt is $5,803,122 as at March 31, 2004 calculated using discounted cash flow analysis based on incremental borrowing rates currently available for similar terms and maturities.

Principal payments due in the next five years are as follows:

2005	$ 364,331
2006	372,835
2007	381,885
2008	9,410,266
2009	170,515

7 OBLIGATION UNDER CAPITAL LEASE

		2004		2003
Royal Bank of Canada Monthy payments including interest at 5.722% of $34,575, expiring September 2007.	$	1,311,609	$	1,642,131
Less: Current Portion		(349,705)		(330,522)
	$	**961,904**	$	**1,311,609**

Lease payments due in the next five years are as follows:			
	2005	$	414,900
	2006		414,900
	2007		414,900
	2008		207,452
	2009		-

The fair value of the capital lease as at March 31, 2004 is $1,316,928.
Interest costs over the life of the lease are $224,937.

8 DEFERRED CONTRIBUTIONS

a) *Expenses of future periods*

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment and construction projects.

		2004		2003
Balance, beginning of year	$	974,004	$	974,124
Add amount received		1,044,728		983,304
Less amount transferred to deferred contributions related to capital assets		(35,562)		(99,900)
Less amount amortized to revenue in the year		(716,097)		(883,524)
Balance, end of year	$	**1,267,073**	$	**974,004**

8 DEFERRED CONTRIBUTIONS (Continued)

b) *Capital assets*

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

		2004		2003
Balance, beginning of year	$	54,088,473	$	37,011,712
Additional contributions received		35,492,438		21,595,818
Add amount transferred from expenses of future periods		35,562		99,900
Less amounts amortized to revenue in the year		(4,530,117)		(4,618,957)
Balance, end of year	$	**85,086,356**	$	**54,088,473**

The balance of unamortized capital contributions related to capital assets consists of the following:

		2004		2003
Unamortized capital contributions used to purchase assets	$	87,419,267	$	54,784,689
Overspent contributions		(2,332,911)		(696,216)
	$	**85,086,356**	$	**54,088,473**

9 INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

		2004		2003
Capital assets	$	106,783,162	$	79,812,981
Funds held by Manitoba Health		6,171,307		5,674,396
Amounts financed by:				
Deferred contributions		(87,419,266)		(54,784,689)
Obligation under capital lease		(1,311,609)		(1,642,131)
Accounts Payable		(3,264,878)		(1,220,983)
Loan and mortgage payable		(17,889,719)		(23,322,528)
	$	**3,068,997**	$	**4,517,046**

10 RESTRICTED ASSETS

Internally Restricted

The Board of Directors has restricted net assets related to non Manitoba Health activities of $3,446,401 (2003 - $3,456,596). The revenue earned on these restricted assets is used for the operations of these non Manitoba Health activities and for possible capital asset purchases.

Externally Restricted

Net assets are restricted for scholarship purposes and are subject to externally imposed restrictions that the assets be maintained permanently. Investment income from this fund is restricted for a scholarship.

11 MANITOBA HEALTH REVENUE

	2004	2003
Allocation per Funding Document	$ 126,943,948	$ 120,500,957
Add: MAHCP Accrual	1,003,273	36,163
CUPE Accrual	-	929,716
MGEU Accrual	676,038	-
Medical Remuneration Retroactive Payments	205,757	139,834
One Time Funding	-	1,700,000
Less: Deferral of Income for Grant Funded Programs	-	(53,270)
Rural pharmacy portion of Recruitment & Retention	-	(44,550)
Interest on Manitoba Health Long Term Debt	(1,797,165)	(1,197,910)
Total Funding Approved by Manitoba Health	127,031,851	122,010,940
Add: Other Income		
Non-Global Reconciliation	1,460,264	510,493
Pharmacy Recruitment & Retention	-	252,582
Midwifery funding	301,888	244,149
Fee for Service Income	1,954,598	1,840,124
Future Employee Benefits	2,589,200	2,193,261
Arbitration Award - 12 Hour Shifts	-	49,359
Less: Amounts recorded in Deferred Contributions	(4,445,661)	(3,220,800)
Total Revenue from Manitoba Health	$ 128,892,140	$ 123,880,108

12 COMMITMENTS AND CONTINGENCIES

a) The Authority has entered into various operating lease commitments. The amounts payable over the next five years are as follows:

2005	$	747,730
2006		768,055
2007		587,402
2008		549,447
2009		556,036

b) The Authority is subject to individual legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Authority.

c) Effective January 1, 2003 the Authority joined in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks for its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2004.

13 PENSION PLAN

The majority of the employees of the Authority are members of the Health Employees Pension Plan (HEPP), which is a multi-employer defined benefit pension plan. HEPP plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual health entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by HEPP by placing plan assets in trust and through HEPP investment policy. Pension expense is based on HEPP management's best estimates, in consultation with its actuaries, of the amount, together with the 5% basic annual earnings up to the Canada Pension Plan ceiling plus 6.6% of basic earnings in excess of the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by HEPP. The funding objective is for employer contributions to HEPP to remain a constant percentage of employee's contributions.

Variance between actuarial funding estimates and actual expenditures may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2003, indicates the plan is fully funded. Actual contributions to HEPP made during the year by the Authority on behalf of its employees amounted to $ 2,723,736 (2003 - $2,437,984) and are included in statement of operations.

The remaining employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participation in the pension plan by the Authority and its employees.

14 NON-DEVOLVED FACILITIES

The Authority has a contract arrangement with The Salvation Army Dinsdale Personal Care Home, which provides long term care in the community of Brandon. In addition, the organization carries out the charitable, educational, religious and other benevolent objects and purposes of the Salvation Army. The organization is a registered charity under the Income Tax Act.

The Authority also has the responsibility of providing management services to Westman Regional Laboratory Services Inc. ("Westman Lab"). Westman Lab provides laboratory services to a number of health care providers in Manitoba. The majority of Westman Lab's revenue is from Manitoba Health.

The Authority does recognize that since there is economic dependence of both Dinsdale Personal Care Home and Westman Lab on the Authority, accounting control does exist between the Authority and these organizations. In light of this, management of the Authority has provided a financial summary of these organizations. All revenues received by the Authority on behalf of Westman Lab and Dinsdale Personal Care Home are reflected in the Authorities revenues and payments issued to these entities are recorded as expenses. In addition, the operating deficit for Dinsdale Personal Care Home has been recorded as an expense in the Authorities financial statements.

Financial statements of Dinsdale Personal Care Home and Westman Lab are available upon request.

The Salvation Army Dinsdale Personal Care Home

	2004	2003
FINANCIAL POSITION		
Total assets	$ 2,880,105	$ 2,969,851
Total liabilities	$ 2,717,417	$ 2,722,568
Total net assets	162,688	247,283
	$ 2,880,105	$ 2,969,851
RESULTS OF OPERATIONS		
Total revenues	$ 3,091,267	$ 2,865,506
Total expenses	(3,175,862)	(2,916,197)
Net operating deficit	$ (84,595)	$ (50,691)

Westman Regional Laboratory Services Inc.

	2004	2003
FINANCIAL POSITION		
Total assets	$ 5,449,316	$ 3,330,056
Total liabilities	$ 5,456,207	$ 3,336,947
Total net assets	(6,891)	(6,891)
	$ 5,449,316	$ 3,330,056

14 NON-DEVOLVED FACILITIES (Continued)

RESULTS OF OPERATIONS

Total revenues	$ 11,773,045	$ 11,641,771
Total expenses	(12,954,650)	(11,961,789)
Net operating shortfall (recoverable from Manitoba Health)	$ (1,181,605)	$ (320,018)

15 RESTATEMENT OF PRIOR PERIODS

In the prior year, the Authority modified their method of accounting for Manitoba Health long term debt at the request of Manitoba Health. Due to the reclassification of Manitoba Health long term debt as deferred contributions, the associated Manitoba Health operating income and interest expense has been retroactively restated to correspond to the accounting changes requested by Manitoba Health. The net effect of the restatement for the year ended March 31, 2003 is to decrease Manitoba Health operating income by $1,871,664 and decrease the interest expense by $1,871,664.

During the year, the Authority modified their method of accounting for accrued retirement obligations and accrued vacation obligations to include benefits on the accrual. The prior period comparative figures have been retroactively restated to account for the change. The net effect of the restatement for the year ended March 31, 2003 is to increase the Manitoba Health income by $997,760 and increase the acute care services expense by $997,760. In addition, as at March 31, 2003 the amount for due from Manitoba Health - vacation is increased by $869,758 and the for employee future benefits -vacation is increased by $869,758. As well, at March 31, 2003 the amount for amount due from Manitoba Health - pre-retirement is increased by $128,002 and the amount for accrued employee future benefits - pre-retirement is increased by $128,002.

16 COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the presentation of the current year.

KENDALL WALL PANDYA

Chartered Accountants

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Partners.... David Kendall, FCA
Robert Wall, FCA
Manisha Pandya, CA

AUDITOR'S REPORT

To the Board of Directors of the
BURNTWOOD REGIONAL HEALTH AUTHORITY INC:

We have audited the statement of financial position of BURNTWOOD REGIONAL HEALTH AUTHORITY INC. as at March 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Prior year balances have been reported on by another firm of Chartered Accountants.

Kendall Wall Pandya

Chartered Accountants.

Thompson, Manitoba
May 7, 2004

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.
YEAR ENDED MARCH 31, 2004

STATEMENT OF FINANCIAL POSITION

	2004	2003
ASSETS		
CURRENT ASSETS		
Accounts receivable (Note 1)	$ 1,794,718	$ 1,476,465
Due from Manitoba Health (Note 2)	-	698,409
Inventories	500,047	452,740
Prepaid expenses	200,077	93,658
Vacation entitlements receivable – Manitoba Health	2,589,257	2,299,073
	$ 5,084,099	$ 5,020,345
Deferred retirement obligations	1,758,851	1,408,435
Capital assets (Note 3)	30,278,187	30,815,258
Restricted Cash		
Thompson Personal Care Home Construction Donations	392,886	379,682
	$ 37,514,023	$ 37,623,720
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank Indebtedness (Note 4)	$ 819,563	$ 2,025,676
Accounts Payable	3,132,275	2,812,228
Due to Manitoba Health (Note 2)	78,381	-
Deferred revenue (Note 5)	955,366	657,666
Lines of Credit (Note 6)	-	635,087
Current portion of capital lease obligations (Note 8)	114,052	227,595
Current portion of long-term debt (Note 7)	216,540	98,400
Vacation entitlements payable – Manitoba Health	2,589,257	2,299,073
	7,905,434	8,755,725
Accrued retirement obligations (Note 13)	1,758,851	1,408,435
Long-term Debt (Note 7)	2,010,692	1,190,153
Capital lease obligations (Note 8)	1,231,209	1,308,739
Deferred Contributions (Note 9)		
Expenses of future periods	497,717	481,540
Capital assets	20,589,420	20,964,702
	$ 33,993,323	$ 34,109,294
Commitments and contingencies (Note 14)		
Net Assets		
Net assets invested in capital assets (Note 10)	6,116,274	6,390,582
Net assets internally restricted	196,375	196,375
Unrestricted net assets	(2,791,949)	(3,072,531)
	3,520,700	3,514,426
	$ 37,514,023	$ 37,623,720

APPROVED BY THE BOARD: ______________________ ______________________

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2004

STATEMENT OF CHANGES IN NET ASSETS

	Investment in Capital Assets (Note 10)	Restricted Donations	Unrestricted	2004	2003
Balance, beginning of year, as restated	$ 6,390,582	$ 196,375	$(3,072,531)	$ 3,514,426	$ 4,737,992
Excess (Deficiency) of revenue over expenses for the year	(379,825)	-	386,099	6,274	(1,223,566)
Net changes in investment in Capital Assets (Note 10)	105,517	-	(105,517)	-	-
BALANCE, end of year	$ 6,116,274	$ 196,375	$(2,791,949)	$ 3,520,700	$ 3,514,426

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2004

STATEMENT OF OPERATIONS

	2004	2003
REVENUE		
Amortization of deferred contributions	$ 1,052,563	$ 818,338
Ancillary programs	798,383	771,085
Manitoba Health (Note 11)	44,416,562	41,303,992
NPTP recoveries	1,242,689	1,074,822
Other	949,563	823,351
Patient	361,584	388,187
	$ 48,821,344	$ 45,179,775
EXPENSES		
Acute care services	$ 23,050,565	$ 21,789,422
Amortization of capital assets	1,052,563	818,338
Ancillary operations	798,475	743,683
Community based – health services	4,147,993	3,858,824
Community based – home care	1,157,388	896,987
Community based – mental health	473,863	428,522
Interest on long-term debt	75,059	36,438
Land ambulance	227,928	227,928
Medical remuneration	11,030,423	10,727,102
NPTP	4,835,520	4,944,858
Regional health authority	1,559,668	1,444,096
Support to seniors	25,800	25,800
	$ 48,435,245	$ 45,941,998
Excess (Deficiency) of revenue over expenses for the year before other items	$ 386,099	$ (762,223)
Other Items		
Amortization of net assets invested in capital assets	$ (379,825)	$ (477,916)
Manitoba Health – past commitments	-	16,573
	(379,825)	(461,343)
Excess (Deficiency) of revenue over expenses for the year	$ 6,274	$(1,223,566)

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2004

STATEMENT OF CASH FLOWS

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (Deficiency) of revenue over expenses	$ 6,274	$(1,223,566)
Adjustments for		
Amortization of Capital Assets	1,432,388	1,296,254
Amortization of deferred contributions	(1,052,563)	(818,338)
	$ 386,099	$ (745,650)
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Vacation entitlements receivable	(290,184)	(147,988)
Accounts receivable	(318,253)	(278,044)
Due from Manitoba Health	776,790	(577,014)
Inventories	(47,307)	(4,691)
Prepaid expenses	(106,419)	237,335
Accounts payable	320,047	357,415
Vacation entitlements payable	290,184	147,988
Deferred revenue	297,700	105,052
	$ 922,558	$ (905,597)
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of Capital Assets	$ (895,317)	$(1,850,138)
Loan advances	1,096,648	1,027,577
Bank loan payments	(157,969)	(84,390)
Decreases in capital lease obligations	(191,073)	(99,223)
Receipt of deferred contributions related to capital assets	677,281	925,013
Increase in deferred contributions related to expenses of future periods, net	16,177	298,792
Lines of credit	(635,087)	635,087
	$ (89,340)	$ 852,718
Increase (Decrease) in cash and cash equivalents during the year	1,219,317	(52,879)
Cash and cash equivalents, beginning of year	(1,645,994)	(1,593,115)
Cash and cash equivalents, end of year	$ (426,677)	$ (1,645,994)
Represented by:		
Bank indebtedness	$ (819,563)	$ (2,025,676)
Restricted cash	392,886	379,682
	$ (426,677)	$ (1,645,994)
Supplementary Information:		
Interest paid during the year	$ 75,059	$ 36,438

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature and Purpose of Organization

Burntwood Regional Health Authority Inc. is a non-profit organization incorporated without share capital under the laws of Manitoba. The Authority is involved in the provision of health care services to persons resident in the Burntwood Region. The Authority is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Basis of Reporting

These financial statements include the accounts of all controlled not-for-profit organizations of the Authority. All inter-departmental transactions of the following controlled not-for profit operations have been included in these financial statements:

Community Health Resources Centre
Community Health Services
Gillam Hospital
Leaf Rapids Health Centre
Lynn Lake Hospital
Northern Consultation Centre
Pikwitonei Community Health Centre
Thicket Portage Community Health Centre
Thompson General Hospital
Wabowden Community Health Centre

Revenue Recognition

The Authority follows the deferral method of accounting for contributions, which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with Manitoba Health with respect to the year ended March 31, 2004.

With respect to actual operating results, certain adjustments to funding will be made by Manitoba Health after completion of their review of the Authority's accounts.

In Globe Funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe Funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response and Transportation. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such times as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding is funding approved by Manitoba Health for specific programs.

Any operating surpluses related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficits related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicated the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid to Manitoba Health are absorbed by the Authority.

Any adjustments will be reflected in the year the final statement of recommended costs is received from Manitoba Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purpose of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributed Materials and Services

Contributed materials and services, which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Financial Instruments

The Authority's financial instruments consists of cash, accounts receivable, grants receivable, temporary investments, bank indebtedness, accounts payable, amounts due to (from) Manitoba Health and long-term debt. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Inventories

Inventories are stated at the lower of cost and replacement cost. Cost is generally determined on a moving average basis.

Capital Assets

Purchased Capital Assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Building	40 years straight-line basis
Computers	4 years straight-line basis
Equipment	10 years straight-line basis

Vacation Entitlements Receivable Accrued

Accrued vacation pay is deferred and charged to expense as the employees take the corresponding vacation time.

Deferred Retirement Obligations

The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assets Under Capital Lease

Assets under capital lease are recorded at cost. Amortization based in the estimated useful life of the asset is as follows:

Leaseholds	15 years straight-line basis
Equipment	10 years straight-line basis

Net Assets Internally Restricted

Part of the net assets of the Authority have been restricted as approved by the Board of Directors or in accordance with the specific directives of donors. Transfers among net asset classes are recorded when approved by the Board of Directors.

The donation fund includes transactions related to donations and bequests. Expenditures from the donation fund are at the discretion of the Burntwood Regional Health Authority Inc. governing board.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2004

NOTES TO FINANCIAL STATEMENTS

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1. Accounts Receivable

	2004	2003
Patients Receivable	$ 276,922	$ 241,199
Other	647,374	607,098
Goods and Services Tax	221,360	173,895
Northern Patient Transport Program	744,271	523,723
Allowance for Doubtful Accounts	(95,209)	(69,450)
	$ 1,794,718	$ 1,476,465

2. Due (to) from Manitoba Health

	2004	2003
MNU Contract	$ -	$ 197,591
UFCW Contract	-	213,240
Accreditation	25,760	38,500
Pharmacy Retention Program	45,000	15,609
Public Health Immunization	62,005	44,736
Pre-retirement Leave	-	90,000
2001/02 Medical Remuneration	-	220,379
2002/03 Interest on Approved Borrowings	-	(2,135)
2002/03 Medical Remuneration	(119,511)	(119,511)
2003/04 Interest on Approved Borrowings	(20,286)	-
2003/04 Medical Renumeration	(347,590)	-
2003/04 Pre-Retirement	20,270	-
2003/04 MAHCP Contract estimate	255,971	-
	$ (78,381)	$ 698,409

3. Capital Assets

			2004			2003
	Cost	Accumulated Amortization	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	$ 13,694	$ -	**$ 13,694**	$ 13,694	$ -	$ 13,694
Buildings	34,537,451	7,634,201	**26,903,250**	24,484,509	6,773,813	17,710,696
Computers	800,623	777,714	**22,909**	770,078	770,078	-
Equipment	13,913,039	11,282,868	**2,630,171**	13,584,054	10,718,504	2,865,550
Construction in Progress	708,163	-	**708,163**	10,225,318	-	10,225,318
	$49,972,970	$19,694,783	**$30,278,187**	$49,077,653	$18,262,395	$30,815,258

Included in capital asset additions during the year is interest of $ 8,552 which has been capitalized.

4. Bank Indebtedness

The Burntwood Regional Health Authority Inc. has an authorized operating line of credit of $2.1 million bearing interest at the bank's prime rate minus ½%. Security provided on this line of credit includes an overdraft borrowing agreement and a Letter of Comfort from Manitoba Health.

5. Deferred Revenue

Deferred revenues consist of Manitoba Health funding for various programs received in the current fiscal year. This allocation of funding is recognized as revenue when program expenses are incurred. The change in the deferred revenues balance for the year is as follows:

	2004	2003
Balance, beginning of year	**$ 657,666**	$ 552,614
Amount recognized as revenue in the current year	**798,383**	729,625
Amount deferred in the current year	**(500,683)**	(624,573)
Balance, end of year	**$ 955,366**	$ 657,666

6. Lines of Credit

	2004	2003
Demand operating line of credit payable to the Royal Bank of Canada bearing interest at prime minus 0.65% to a maximum of $569,604.	**$ -**	$ 541,705
Demand operating line of credit payable to the Royal Bank of Canada bearing interest at prime minus 0.65% to a maximum of $307,800.	**-**	93,382
	$ -	$ 635,087

The Royal Bank loans are secured by Letter of Comfort from Manitoba Health.

7. Long-term Debt

	2004	2003
Note payable to Province of Manitoba Department of Finance with monthly principal payments of $54,167 plus interest at 6.25% due January 2022.	$ -	$ -
Demand loan payable to Royal Bank with monthly principal payments of $3,100, interest at prime less .65%.	734,664	768,764
Demand loan payable to Royal Bank with monthly principal payments of $2,335, interest at prime less .65%	378,970	406,554
Demand loan payable to Royal Bank with monthly principal payments of $2,765, interest at prime less .65%	80,055	113,235
Demand loan payable at Royal Bank with monthly principal payments of $4,745, interest prime less .65%	489,855	-
Demand loan payable to Royal Bank with monthly principal payments of $2,565, interest at prime less .65%	275,148	-
Demand loan payable to Royal Bank with monthly principal payments of $2,535, interest at prime less .65%	268,540	-
	$2,227,232	$1,288,553
Current portion of long-term debt	216,540	98,400
	$2,010,692	$1,190,153

The Royal Bank loans are secured by Letters of Comfort from Manitoba Health. Principal payments due in the next five years are as follows:

2005	$ 216,540
2006	$ 197,055
2007	$ 183,360
2008	$ 183,360
2009	$ 183,360

8. Capital Leases Obligations

	2004	2003
The obligations under capital equipment lease are at rates of 6.0% and 6.5%, are due November 11, 2003 and December 4, 2003 and are repayable in monthly amounts of $1,360 and $1,839 principal and interest respectively.	$ -	$ 16,859
The obligations under the lease are at rates of 2% above prime adjusted semi-annually. The lease which is under flexible repayment terms is currently being repaid over 15 years with payments of $16,681 (principal and interest)	1,345,261	1,519,475
	1,345,261	1,536,334
Amount due within one year included in current liabilities	114,052	227,595
	$1,231,209	$1,308,739

The obligations under capital leases are secured by certain plant and office equipment.

The future minimum lease payments for the next 5 years are as follows:

2005	$114,052
2006	$121,880
2007	$130,246
2008	$139,186
2009	$148,740

9. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs and construction projects.

	2004	2003
Balance, beginning of year	$ 481,540	$ 182,748
Add amount received during year	16,177	298,792
Balance, end of year	$ 497,717	$ 481,540

b) Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants received and funding for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowing.

	2004	2003
Balance, beginning of year	$ 20,964,702	$ 20,858,027
Additional contributions received	677,281	925,013
Less amounts amortized to revenue	(1,052,563)	(818,338)
Balance, end of year	$ 20,589,420	$ 20,964,702

10. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2004	2003
Capital assets	$30,278,187	$30,815,258
Amount financed by:		
Deferred contributions	20,589,420	20,964,702
Lines of Credit	-	635,087
Loan and mortgage payable	2,227,232	1,288,553
Capital leases	1,345,261	1,536,334
	$ 6,116,274	$ 6,390,582

b) Change in net assets invested in capital assets is calculated as follows:

	2004	2003
Excess of expenses over revenues		
Amortization of deferred contributions related to capital assets	$ 1,052,563	$ 818,338
Amortization of capital assets	1,432,388	1,296,254
	$ (379,825)	$ (477,916)
Net changes in investment in capital assets		
Purchase of capital assets, net	$ 895,317	$ 1,850,138
Amounts funded by - Debt repayment	157,969	84,390
Deferred contributions	(28,204)	(6,324)
Transfers – Repayment of capital lease	191,073	99,223
Loan advance	(461,561)	(1,662,661)
Manitoba Health – Capital asset funding	(473,337)	(834,290)
Manitoba Health debt service funding	(175,740)	(84,400)
	105,517	(553,924)
	$ (274,308)	$ (1,031,840)

11. Revenue from Manitoba Health

Revenue as per Manitoba Health document	$ 46,213,703
Principal and interest funding	(1,398,824)
	$ 44,814,879
Add:	
MAHCP contract	255,961
Immunization payment	62,005
Miscellaneous payments	70,760
Out of Globe- Pre-Retirement	20,280
MMA retroactive payments	152,350
DOC of the day payments	98,475
Equipment funding	253,141
	$ 912,972
Deduct:	
Out of Globe-Interest on approved borrowing	$ (20,286)
Medical remuneration	(347,590)
Nelson PCH funding – flow through	(294,336)
	$ (662,212)
Total funding approved by Manitoba Health	$ 45,065,639
Deduct:	
Amounts recorded as deferred contributions	$ 649,077
Revenue from Manitoba Health	$ 44,416,562

12. Pension Plans

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consists of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2002, and supplementary Notice to Members of September 24, 2003 indicates the current contribution levels are not adequate to fund the cost of benefits. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $831,788 (2003 – $794,276) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the authority and its employees.

13. Pre-retirement Obligations

	2004	2003
Members of the Health Employees Pension Plan	$ 1,579,781	$ 1,252,035
Members of the Civil Service Superannuation Plan	179,070	156,400
	$ 1,758,851	$ 1,408,435

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten year service and have reached the age of 55 or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or
- retire at or after age 65 or
- terminate employment at any time due to permanent disability

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service
- two weeks of additional severance pay for each increment of five years of service past the 15 years of service up to 35 years of service

The Authority undertook an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.5% and a rate of salary increase of 4.0% plus age related merit/promotion scale with no provision for disability.

Funding for the retirement obligation is recoverable from Manitoba Health on an out of globe basis in the year of payment.

14. Commitments and Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2004, management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums of any experience by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2004.

15. Inter Program Charges

Included in the statements of operations are inter program charges which result in a reduction in Regional health authority costs of $226,148, a reduction in acute costs of $173,980 and an increase in medical remuneration expenses of $345,628.

16. Prior Period Adjustment

During the year the Authority changed its method of accounting for long-term debt held by the Province of Manitoba. As a result, a $13,000,000 advance from the Province of Manitoba, received in 2002, previously accounted for as long-term debt has been restated as a deferred contribution related to capital assets. The 2003 comparative numbers have been retroactively restated to account for the change.

The effect of the restatement at March 31, 2003 is to decrease long-term debt by $12,241,667 and to increase deferred contributions related to capital assets by $12,241,667. The effect of the restatement for the year ended March 31, 2003 is to decrease revenue from Manitoba Health by $ 787,160 and to decrease interest expense on long-term debt by $ 787,160.

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Auditors' Report

To the Board of Directors of
Churchill Regional Health Authority Inc.

We have audited the statement of financial position of Churchill Regional Health Authority Inc. (RHA) as at March 31, 2004, and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the RHA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We did not attend the physical inventory taking at March 31, 2004 and March 31, 2003, and we were unable to satisfy ourselves as to the inventory quantities by other audit procedures. Accordingly, we were unable to determine whether any adjustments might be necessary to opening and closing inventories, revenue and expenses and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to examine the inventory quantities referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the RHA as at March 31, 2004, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Portage la Prairie, Manitoba
May 19, 2004

Churchill Regional Health Authority Inc.
Statement of Financial Position

March 31,	2004	2003
Assets		
Current Assets		
Cash and bank	$ 275,275	$ -
Accounts receivable (note 1)	94,400	364,399
Due from Manitoba Health (note 2)	213,626	406,348
Inventory	378,924	441,792
Goods and services tax recoverable	16,697	51,554
Prepaid expenses	37,051	43,852
Accounts receivable - Province of Manitoba	348,158	310,239
	1,364,131	1,618,184
Capital Assets (note 3)	3,869,359	3,544,690
Accounts Receivable - Province of Manitoba (note 4)	197,540	155,480
	$ 5,431,030	$ 5,318,354
Liabilities and Deficiency in Net Assets		
Current Liabilities		
Bank indebtedness - operating	$ -	$ 805,899
Bank indebtedness - capital (note 5)	1,581,380	1,451,006
Accounts payable and accrued liabilities	940,619	839,323
Accounts payable - capital	29,005	244,701
Accounts payable - Province of Manitoba	500,000	500,000
Due to Manitoba Health (note 6)	192,400	-
Payable to Churchill RHA Health & Healing Foundation Inc.	-	9,803
Security deposits	10,162	8,369
Vacation, overtime and statutory holiday pay payable	348,158	310,239
Current portion of capital lease obligations (note 7)	19,630	36,545
	3,621,354	4,205,885
Capital Lease Obligations (note 7)	105,727	155,475
Pre-retirement Entitlements (note 4)	197,540	155,480
Deferred Contributions Related to Capital Assets (note 8)	2,030,099	1,551,558
	5,954,720	6,068,398
Deficiency in Net Assets		
Net assets invested in capital assets (note 9)	1,713,903	1,801,112
Externally restricted - Separately Funded Programs (note 10)	7,597	74,670
Unrestricted net assets	(2,245,190)	(2,625,826)
	(523,690)	(750,044)
Contingencies (note 11)		
	$ 5,431,030	$ 5,318,354

On behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Churchill Regional Health Authority Inc.
Statement of Changes in Net Assets

For the year ended March 31,				2004	2003
	Invested in Capital Assets	Externally Restricted Separately Funded Programs	Unrestricted	Total	Total
Balance, beginning of year	$ 1,801,112	$ 74,670	$ (2,625,826)	$ (750,044)	$ (355,844)
Excess (deficiency) of revenue over expenses for the year	(80,387)	(147,948)	454,689	226,354	(394,200)
Interfund transfers	(6,822)	80,875	(74,053)	-	-
Balance, end of year	$ 1,713,903	$ 7,597	$ (2,245,190)	$ (523,690)	$ (750,044)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Churchill Regional Health Authority Inc.
Statement of Operations

For the year ended March 31,		2004	2003
Revenue			
Manitoba Health funded			
Hospital	$	5,913,283 $	5,046,663
Diagnostic Services		561,456	360,696
Medical Clinic		308,520	308,520
Dental Clinic		137,760	137,244
Community Services		499,750	706,934
Addictions Program		-	19,000
Northern Patient Transportation Program		989,448	829,248
Land Ambulance		88,151	83,004
Home Care		94,824	51,272
Amortization of Deferred Contributions		351,000	370,000
Offset Income		741,903	682,024
Employee Future Benefits		79,979	130,072
Interest income		20,801	-
		9,786,875	8,724,677
Separately funded programs			
Churchill Child and Family Services		139,130	195,808
Receiving Home		309,860	284,091
Nunavut Services		52,244	50,351
Baby First and Healthy Baby programs		52,000	41,100
		553,234	571,350
Ancillary income, net (schedule)		5,783	70,346
		10,345,892	9,366,373
Expenses			
Manitoba Health funded			
Hospital		5,966,058	5,546,160
Diagnostic Services		592,054	624,732
Medical Clinic		335,114	304,745
Dental Clinic		164,294	168,960
Community Services		438,557	629,175
Addictions Program		62,863	54,014
Northern Patient Transportation Program		855,764	917,659
Amortization		434,867	411,342
Land Ambulance		221,209	205,860
Home Care		82,686	42,047
Directors' fees and expenses		50,360	50,821
Interest and Bank Charges		14,536	49,889
Interest on Obligations Under Capital Lease		11,972	16,669
Employee Future Benefits		79,979	130,072
		9,310,313	9,152,145
Separately funded programs			
Churchill Child and Family Services		169,214	175,376
Receiving Home		335,969	317,627
Nunavut Services		77,431	69,592
Baby First and Healthy Baby programs		37,691	47,695
		620,305	610,290
		9,930,618	9,762,435
Excess (deficiency) of revenue over expenses before other income (expense)		415,274	(396,062)
Other income (expense)			
Gain on disposal of capital assets		3,480	1,862
Surplus repayable to Manitoba Health (note 6)		(192,400)	-
		(188,920)	1,862
Excess (deficiency) of revenue over expenses for the year	$	226,354 $	(394,200)

Churchill Regional Health Authority Inc.
Statement of Cash Flows

For the year ended March 31,	2004	2003
Cash Flows provided by (used in) Operating Activities		
Excess (deficiency) of revenue over expenses	$ 226,354	$ (394,200)
Adjustments for items not involving cash		
Amortization of capital assets	434,867	411,342
Gain on disposal of capital assets	(3,480)	(1,862)
Amortization of deferred contributions	(351,000)	(370,000)
	306,741	(354,720)
Net change in non-cash operating working capital		
Accounts receivable	269,999	(7,462)
Due from Manitoba Health	385,122	(266,318)
Inventory	62,868	(205,381)
Goods and services taxes recoverable	34,857	(18,431)
Due to Churchill RHA Health & Healing Foundation Inc.	(9,803)	-
Prepaid expenses	6,801	17,550
Accounts payable and accrued liabilities	101,296	75,256
Security deposits	1,793	3,466
Deferred revenue	-	(25,000)
Accounts payable - Province of Manitoba	-	500,000
	1,159,674	(281,040)
Cash Flows provided by (used in) Investing and Financing Activities		
Proceeds from bank loan - capital projects	130,374	713,020
Purchase of capital assets	(790,062)	(1,100,778)
Proceeds on disposal of capital assets	34,006	7,806
Payments on capital lease obligations	(66,663)	(34,613)
Contributions related to capital assets	829,541	523,434
(Decrease) increase in accounts payable - capital	(215,696)	235,062
Payment on bank indebtedness - operating	(805,899)	(62,891)
	(884,399)	281,040
Increase in cash, during the year	275,275	-
Cash, beginning of year	-	-
Cash, end of year	$ 275,275	$ -

Churchill Regional Health Authority Inc.
Summary of Significant Accounting Policies

March 31, 2004

Nature and Purpose of Organization

Churchill Regional Health Authority Inc. (RHA) is a non-profit organization incorporated without share capital under the Corporations Act of Manitoba in 1996. Churchill RHA Inc. is the regional health authority for the Churchill Health Centre. The RHA provides hospital and social service facilities to Churchill and the surrounding area, including eight communities in the Kiviliq Region.

The RHA is a registered charitable organization under the Income Tax Act and, as such, is exempt from income tax and may issue income tax receipts to donors.

The following accounting policies are in accordance with Canadian generally accepted accounting principles.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Revenue Recognition

The RHA follows the deferral method of accounting for contributions, which include donations and Government funding.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Inventory

Inventory is stated at the lower of cost, using a first-in, first-out basis of calculation, and net realizable value.

Churchill Regional Health Authority Inc.
Summary of Significant Accounting Policies

March 31, 2004

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Where fair value cannot be reasonably determined, contributed capital assets are recorded at a nominal amount. Assets acquired under capital leases are amortized over the estimated life of the assets. Capital assets are amortized on a straight-line basis using the following annual rates.

Buildings	2.5 %
Building service equipment	4 - 10%
Major equipment	6.7 - 20%
Equipment under capital leases	20 %
Computer equipment	20 %

Separately Funded Programs

Adjustments to prior years. if any, resulting from a final review by the funding agency are reported in the statement of operations in the year the funding agency completes their review.

Accrued Benefit Entitlements

Benefit entitlements. which include vacation pay and pre-retirement leave entitlements are recorded in the year that the services to which they relate are provided.

Retirement Entitlement Obligations

The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

Management Estimates

The preparation of financial statements. in accordance with Canadian generally accepted accounting principles. requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities. and disclosure of contingent assets and liabilities. at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and. as adjustments become necessary. they are reported in earnings in the period in which they become known.

1. Accounts Receivable

	2004	2003
General operating	$ 69,322	$ 214,440
Pharmacy	15,004	24,818
Dental	-	2,028
Separately funded	-	64,235
Daycare	9,898	29,312
Other	176	29,566
	$ 94,400	$ 364,399

2. Due from Manitoba Health

	2004	2003
Approved capital funding	$ -	$ 238,184
Out of globe - March 31, 2003	-	168,164
Out of globe - March 31, 2004	213,626	-
	$ 213,626	$ 406,348

3. Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	$ 864,734	$ 601,520	$ 263,214	$ 284,832
Building service equipment	3,281,342	698,352	2,582,990	2,236,869
Major equipment	3,431,918	2,566,224	865,694	816,010
Equipment under capital lease	168,466	107,753	60,713	115,525
Computer equipment	492,968	396,220	96,748	91,454
	$ 8,239,428	$ 4,370,069	$ 3,869,359	$ 3,544,690

4. Pre-retirement Entitlements

a) Accrued Retirement Entitlement

	2004	2003
Members of the Health Employees Pension Plan	**$ 197,540**	$ 155,480

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions.

- have ten years service and have reached the age of 55.
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee;
- retire at or after age 65; or
- terminate employment at any time due to permanent disability.

The RHA undertook an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the RHA's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.5% and a rate of salary increase of 4.0% plus age related merit/promotion scale with no provision for disability.

Funding of the retirement obligation is recoverable from Manitoba Health on an out of globe basis in the year of payment.

b) Pension Plan

Most of the employees of the RHA's are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The cost of the benefit plan is not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirement of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2003, indicates that the Plan is fully funded. Actual contributions to the Plan made during the year by the RHA on behalf of its employees amounted to $136,468 (2003 - $115,447) and are included in the statement of operations.

5. Bank Indebtedness - Capital

The bank indebtedness - capital is due on demand and bears interest at the bank's prime rate minus 0.5%, calculated and payable monthly. The overdraft is secured by comfort letters from Manitoba Health to a maximum of $1,857,547. At March 31, 2004, the authority had undrawn credit capacity under this facility of approximately $276,167.

The agreement governing the operating loan facility contains certain covenants regarding providing financial information to the lender within a specified period of time following the year end. The RHA is in compliance with the covenants as at March 31, 2004.

6. In Globe / Out of Globe Funding

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health. For the year ended March 31, 2004, the RHA recorded $192,400 as a surplus payable to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs, not paid by Manitoba Health, are absorbed by the RHA.

7. Capital Lease Obligations

	2004	2003
Obligations under capital leases for office equipment at rates between 5.3% - 13.9%, due on dates between February 2005 and February 2006, repayable $5,938 principal and interest quarterly.	**$ 41,801**	$ 63,828
Obligations under capital leases for automobiles at a rate of 5.75%, due on dates between December 2006 and November 2011, repayable $1,228 principal and interest monthly	**83,556**	128,192
	125,357	192,020
Less amount due within one year included in current liabilities	**19,630**	36,545
	$ 105,727	$ 155,475

Obligations under capital lease are secured by certain automobiles and office equipment.

The future minimum lease payments for the next five years and thereafter are as follows.

2005	$ 38,486
2006	38,583
2007	21,941
2008	8,643
2009	8,643
Thereafter	34,152
	150,448
Less imputed interest	25,091
	$ 125,357

8. Deferred Contributions Related to Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of funding assistance received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred contribution balance are as follows:

	2004	2003
Balance, beginning of year	**$ 1,551,558**	$ 1,398,124
Add restricted contributions received in the current year	**829,541**	523,434
Less amount amortized to revenue in the year	**(351,000)**	(370,000)
Balance, end of year	**$ 2,030,099**	$ 1,551,558

9. Invested in Capital Assets

Net assets invested in capital assets is determined as follows:

	2004	2003
Capital assets	**$ 3,869,359**	$ 3,544,690
Deferred contributions	**(2,030,099)**	(1,551,558)
Obligations under capital lease	**(125,357)**	(192,020)
	$ 1,713,903	$ 1,801,112

10. External Restrictions

Separately Funded Programs

The various surpluses and deficits of the separately funded programs are aggregated and recorded as one figure in the financial statements. They remain designated for the respective separately funded programs.

	2004	2003
Accumulated surplus - Receiving Home	$ **36,812**	$ 62,921
Accumulated (deficit) surplus - Churchill Child and Family Services	**(20,778)**	9,306
Accumulated (deficit) surplus - Nunavut Services	**(14,972)**	10,217
Accumulated surplus (deficit) - Baby First and Healthy Baby programs	**3,787**	(10,522)
Accumulated surplus - Health Promotion	**2,748**	2,748
	$ **7,597**	$ 74,670

11. Contingencies

The nature of the RHA's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2004, management believes the RHA has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims would not have a material effect on the RHA's financial position.

A group of hospitals, including the RHA, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2004.

12. Deficiency of Revenue Over Expenses in Children's Centre

Any excess or deficiency of revenue over expenses incurred by the Children's Centre is the responsibility of the RHA. As a result, the excess or deficiency of revenue over expenses incurred by the Children's Centre is to be transferred annually from Externally Restricted - Separately Funded Programs to Unrestricted Net Assets.

13. Financial Instruments

The RHA's financial instruments consist of cash and bank, accounts receivable, amounts due from Manitoba Health, bank indebtedness and accounts payable. Unless otherwise noted, it is management's opinion that the RHA is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Churchill Regional Health Authority Inc.
Schedule of Ancillary Income

For the year ended March 31,	2004	2003
Children's Centre, net (gross $296.655, 2003 - $294.142)	$ (80,875)	$ (57.897)
Retail pharmacy, net (gross $624.841, 2003 - $596.928)	62,650	109.599
Gift shop and vending machine, net (gross $49.990, 2003 - $42,196)	9,216	10.786
Donations	-	50
Non-Manitoba Health funded specialists	14,792	7.808
	$ 5,783	$ 70.346

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Auditors' Report

To the Board of Directors of
INTERLAKE REGIONAL HEALTH AUTHORITY INC.:

We have audited the consolidated statement of financial position of **INTERLAKE REGIONAL HEALTH AUTHORITY INC.** as at March 31, 2004 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting policies.

The comparative amounts presented were reported on by other accountants.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 20, 2004

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Financial Position

March 31	**2004**	2003
Assets		
Current Assets		
Cash and term deposits	**$ 6,940,055**	$ 7,348,053
Accounts receivable	**774,230**	687,968
Due from Manitoba Health (Note 1)	**1,379,995**	-
Inventories	**621,202**	667,740
Prepaid expense	**325,772**	160,353
Vacation entitlements receivable	**3,688,400**	3,188,974
	13,729,654	12,053,088
Retirement obligations receivable	**4,092,069**	3,452,687
Other assets	**87,443**	107,404
Capital assets (Note 2)	**42,756,907**	37,408,933
	$ 60,666,073	$ 53,022,112

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Financial Position

March 31	2004	2003
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 5,558,179	$ 4,456,241
Accrued vacation entitlements	3,688,400	3,188,974
Due to Manitoba Health (Note 1)	-	435,457
Current portion of long-term debt (Note 4)	238,188	1,158,798
	9,484,767	9,239,470
Accrued retirement obligations (Note 10)	4,092,069	3,452,687
Due to Betel Foundation Inc. (Note 11)	293,000	293,000
Long-term debt (Note 4)	5,338,121	8,929,645
Deferred Contributions (Note 5)		
Expenses of future periods	1,684,696	1,726,021
Capital assets	35,133,328	24,593,670
	36,818,024	26,319,691
Commitments and contingencies (Note 8)		
Net Assets		
Investment in capital assets (Note 6)	2,047,270	2,726,820
Externally restricted (Note 13)	581,677	577,177
Internally restricted (Note 13)	1,642,654	1,498,068
Unrestricted - RHA	138,763	(239,305)
Unrestricted - Contract Facilities	229,728	224,859
	4,640,092	4,787,619
	$ 60,666,073	$ 53,022,112

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Operations

For the year ended March 31	2004	2003
Revenue		
Province of Manitoba		
Health (Note 7)	$ 68,207,938	$ 67,697,996
Client Non-Insured	4,819,922	4,826,304
Interest	172,931	219,967
Offset and other income	2,815,643	2,882,681
Ancillary income	166,536	179,471
Amortization of deferred contributions	2,315,962	2,158,894
	78,498,932	77,965,313
Expenditures		
Acute care services	20,994,203	18,750,759
Amortization of capital assets	2,315,962	2,166,054
Ancillary operations operating expenditures	155,531	167,284
Chemotherapy	440,014	486,024
Community health	6,627,372	5,995,006
Home based care	9,326,738	9,704,592
Diagnostic services	4,539,401	4,176,587
Dialysis	658,155	665,722
Emergency response and transport	3,566,503	2,934,020
Long-term care services	18,236,029	17,455,005
Mental health services	3,012,496	2,707,273
Medical remuneration	5,135,003	4,405,861
Nurse recruitment and retention	97,110	62,524
Proprietary home funding	-	6,078,063
Regional undistributed expenditures	2,954,297	2,472,797
Safety and renovations	592,145	264,477
	78,650,959	78,492,048
Deficiency of revenue over expenditures for the year	$ (152,027)	$ (526,735)
Allocated as follows:		
Regional services	$ (157,231)	$ (564,364)
Contracted services	5,204	37,629
	$ (152,027)	$ (526,735)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Changes in Net Assets

For the year ended March 31						2004	2003
	Investment in Capital Assets (Note 6)	Externally Restricted (Note 13)	Internally Restricted (Note 13)	Unrestricted - RHA	Unrestricted - Contract Facilities	Total	Total
Balance, beginning of year	$ 2,726,820	$ 577,177	$ 1,498,068	$ (239,305)	$ 224,859	$ 4,787,619	$ 5,371,012
Reallocation of interest earned on donation and operating funds	-	-	169,586	(169,586)	-	-	-
Change in externally restricted net assets	-	4,500	-	-	-	4,500	(56,658)
Transfers	-	-	(25,000)	25,000	-	-	-
Deficiency of revenue over expenditures for the year	-	-	-	(157,231)	5,204	(152,027)	(526,735)
Net changes in investment in capital assets (Note 6)	(679,550)	-	-	679,885	(335)	-	-
Balance, end of year	$ 2,047,270	$ 581,677	$ 1,642,654	$ 138,763	$ 229,728	$ 4,640,092	$ 4,787,619

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.

Consolidated Statement of Cash Flows

For the year ended March 31	2004	2003
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	$ (152,027)	$ (526,735)
Adjustments for		
Amortization of capital assets	2,315,962	2,166,054
Amortization of deferred contributions related to capital assets	(2,315,962)	(2,158,894)
	(152,027)	(519,575)
Changes in non-cash working capital		
Accounts receivable	(86,262)	34,062
Manitoba Health receivable	(1,815,452)	186,014
Inventories	46,538	(49,115)
Prepaid expense	(165,419)	(52,665)
Vacation entitlements receivable	(499,426)	(384,451)
Retirement obligations receivable	(639,382)	(83,767)
Accounts payable and accrued liabilities	1,102,514	596,472
Accrued vacation entitlements	499,426	384,451
Accrued retirement obligations	639,382	83,767
	(918,081)	714,768
	(1,070,108)	195,193
Cash Flows from Investing Activities		
Purchase of capital assets (net)	(7,664,512)	(8,212,459)
Cash Flows from Financing Activities		
Increase (decrease) in long-term debt (net)	(4,512,134)	4,941,947
Increase in deferred contributions related to expenses of future periods (net)	(41,325)	-
Receipt of deferred contributions related to capital assets	12,855,620	3,527,814
Payout of externally restricted net assets	4,500	(56,658)
Other assets	19,961	(11,797)
	8,326,622	8,401,306
Net increase (decrease) in cash and cash equivalents	(407,998)	384,040
Cash and cash equivalents, beginning of year	7,348,053	6,964,013
Cash and cash equivalents, end of year	$ 6,940,055	$ 7,348,053
Supplementary Information		
Interest paid during the year	$ 228,479	$ 284,170

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting policies.

Entity Definition and Basis of Financial Statements

Interlake Regional Health Authority Inc. was incorporated under the laws of the Province of Manitoba. The Authority commenced providing health care services on April 1, 1997 in the Interlake Region of Manitoba. The Authority is a registered charity under The Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of The Income Tax Act are met.

Under the Regional Health Authorities and Consequential Amendments Act, the Authority entered into negotiations with all health care facilities in the region to either transfer those facilities' operations, property, liabilities and obligations to the Authority or to operate as a contract facility funded by the Authority. These negotiations have been completed.

Two facilities within the region operate under contract arrangements for funding with the Authority. They are Betel Home - Gimli and Betel Home - Selkirk. The operations of these facilities have been consolidated in these financial statements as the Authority exercises significant influence over them by virtue of acting as funding agent. Any non-Manitoba Health funded activities of these facilities (i.e. apartments, seniors' housing) have been excluded from these financial statements.

Revenue Recognition

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with Manitoba Health with respect to the year ended March 31, 2004.

With respect to actual operating results, certain adjustments to funding will be made by Manitoba Health after completion of their review of the Authority's accounts.

Revenue Recognition (continued)

In Globe Funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe Funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such times as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding is funding approved by Manitoba Health for specific programs.

Any operating surpluses related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficits related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid to Manitoba Health are absorbed by the Authority.

Any adjustments will be reflected in the year the final statement of recommended costs is received from Manitoba Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue Recognition (continued)	Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.
Inventories	Inventories are valued at the lower of cost and net realizable value, cost being determined by the first-in, first-out method.
Employee Future Benefits	Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.
Compensated Absences	Compensation expense is accrued to all employees as entitlement to these payments is earned in accordance with the Authority's benefit plans for vacation and retirement allowances.
Use of Estimates	In preparing the Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.
Contributed Services	A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements	5%
Buildings	3.33% and 5%
Ambulances	20%
Equipment and computers	10% - 20%

Financial Instruments

The Authority's financial instruments consist of cash and term deposits, accounts receivable, accounts payable, amounts due to (from) Manitoba Health, amounts due to related parties and long-term debt. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

1. Due from (to) Manitoba Health

	2004	2003
Manitoba Health adjustment 1998/2002	$ -	$ (963,024)
In Globe - MGEU Collective Agreement	-	132,647
Out of Globe adjustments	-	(343,452)
Other adjustments	-	76,909
CUPE retroactive pay	-	561,331
Influenza and Hep B immunization program	-	100,132
CT services one time funding	170,573	-
Out of Globe 2001	84,530	-
Out of Globe 2002/03	(200,699)	-
Safety & Security	97,591	-
Hep B Immunization program 2003/04	65,515	-
Influenza Immunization program 2003/04	16,587	-
Community Health Assessment Jan 1 to Mar 31/04	35,954	-
Accreditation Fees	18,000	-
IPHIS	60,387	-
Doc of the Day	44,838	-
MGEU community services wage settlement	836,562	-
MGEU paratechnical wage settlement	513,921	-
Out of Globe 2003/04	(363,764)	-
	$ 1,379,995	$ (435,457)

2. Capital Assets

	2004		2003	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 185,518	$ -	$ 185,518	$ -
Land improvements	370,102	356,445	370,102	350,605
Buildings	44,956,803	21,145,667	44,643,107	19,835,785
Ambulances	771,260	771,260	771,260	718,301
Equipment	13,240,135	8,663,236	12,107,403	7,831,677
Equipment - computers	796,648	496,850	559,059	380,552
Construction in progress	13,869,899	-	7,889,404	-
	$ 74,190,365	$ 31,433,458	$ 66,525,853	$ 29,116,920
Cost less accumulated amortization		$ 42,756,907		$ 37,408,933

3. Bank Indebtedness

The Authority has an approved operating line of credit with the Canadian Imperial Bank of Commerce to a maximum amount of $500,000. The line of credit bears interest at Canadian Imperial Bank of Commerce prime rate less 0.75% and is secured by an authorization letter from Manitoba Health.

4. Long-term Debt

	2004	2003
Debenture payable, principal repayable in annual instalments of $111,300, interest at 13.625% paid semi-annual, due November, 2004.	$ 111,300	$ 222,600
Mortgages payable, bearing interest at rates varying from 4.73% to 10.375% per annum and are secured by mortgages on the Authority's land and buildings. The mortgages' maturity dates vary from the year 2016 to 2029.	3,243,738	3,362,004
Bank loans, construction and specialized equipment loans bearing interest at the prime rate less .75% per annum, are repayable at $10,172 per month principal, plus interest, and are secured by an assignment of fire insurance and letters of comfort from Manitoba Health. The loans' maturity dates vary from October 1, 2011 to March 15, 2012.	2,221,271	938,237
Bank loans, construction loan	-	5,565,602
	5,576,309	10,088,443
Current portion of long-term debt	238,188	1,158,798
	$ 5,338,121	$ 8,929,645

Principal payments due in the next five years are as follows:

2005	$ 238,188
2006	245,413
2007	253,103
2008	261,289
2009	270,006

5. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs and construction projects.

	2004	2003
Balance, beginning of year	**$ 1,726,021**	$ 2,244,375
Additional amounts received during year	**2,231,573**	1,379,933
Funding for reserve for major repairs	**49,200**	49,198
Less 2003/04 expenditures	**(2,322,098)**	(1,947,485)
Balance, end of year	**$ 1,684,696**	$ 1,726,021

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowing.

	2004	2003
Balance, beginning of year	**$ 24,593,670**	$ 23,552,550
Additional contributions received	**12,855,620**	3,200,014
Less amounts amortized to revenue	**(2,315,962)**	(2,158,894)
Balance, end of year	**$ 35,133,328**	$ 24,593,670

6. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2004	2003
Capital assets	**$ 42,756,907**	$ 37,408,933
Amounts financed by		
Deferred contributions	**35,133,328**	24,593,670
Loan and mortgage payable	**5,576,309**	10,088,443
	$ 2,047,270	$ 2,726,820

b) Change in net assets invested in capital assets is calculated as follows:

	2004	2003
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	**$ 2,315,962**	$ 2,158,894
Amortization of capital assets	**(2,315,962)**	(2,166,054)
	$ -	$ (7,160)
Net changes in investment in capital assets		
Purchase of capital assets (net)	**$ 7,664,512**	$ 8,208,459
Amounts funded by :		
Manitoba Health funding	**(7,386,424)**	(2,912,301)
Advances on long-term debt	**(779,092)**	(6,023,519)
Donations	**(177,970)**	(66,479)
Other	**(576)**	-
Repayment of debentures, loans and mortgages	**5,291,226**	235,418
Manitoba Health debt service funding	**(5,291,226)**	(235,418)
	$ (679,550)	$ (793,840)

7. Revenue from Manitoba Health

		2004	2003
Revenue from Manitoba Health			
Revenue as per Manitoba Health's final funding document		$ 66,171,034	$ 66,500,740
Manitoba Dept. of Finance reallocation		(731,517)	(676,594)
Equipment allocation		(398,328)	(340,104)
Principal funding		(1,225,992)	(1,142,064)
Reserve for major repairs funding		(26,965)	(26,975)
		63,788,232	64,315,003
Add:	One time funding	-	750,000
	MSSP arbitration award	-	747,659
	Baby First and WIN	418,509	457,481
	Out-of-globe items and adjustments	(312,373)	299,290
	Safety and renovations	738,693	264,477
	EMS one time funding	729,819	256,004
	Additional program funding received during year	-	201,761
	Nurse recruitment and retention	91,192	62,364
	Pharmacy recruitment and retention	20,000	20,000
	MGEU community services wage settlement	836,562	-
	MGEU paratechnical wage settlement	513,921	-
	Vacation entitlement receivable	499,426	323,957
	CT services one time funding	170,573	-
	Advanced practice initiative	149,721	-
	MMA retro pay	148,391	-
	Doc of the day	110,277	-
	Community health assessment	97,779	-
	Influenza and Hep B	82,102	-
	Early years research program	81,551	-
	IPHIS	42,509	-
	MLSCY program	935	-
	Other	119	-
Total Revenue from Manitoba Health		$ 68,207,938	$ 67,697,996

8. Commitments and Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2004, management believes the Authority has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2004.

The Authority's coverage also includes contract facilities as named insured parties.

9. Pension Plan

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (a successor of the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last eleven years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5.0% of salary and 6.6% of salary over $40,500 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2002 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $1,587,397 (2003 - $1,432,429) and are included in the statement of operations.

The remainder of employees are members of the Province of Manitoba's defined benefit Civil Service Superannuation Plan. Liability for variances between actuarial funding estimates and actual experience lies with the Province.

10. Accrued Retirement Obligations

	2004	2003
Members of the Health Employees Pension Plan	**$ 3,107,704**	$ 2,572,887
Members of the Civil Service Superannuation Plan	**984,365**	879,800
	$ 4,092,069	$ 3,452,687

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employees Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten years service and have reached the age of 55 or;
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or;
- retire at or after age 65 or;
- terminate employment at any time due to permanent disability

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service.
- 2 weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service.

11. Due to Betel Heritage Foundation Inc.

The amount payable to Betel Heritage Foundation Inc. by the contract facilities is non-interest bearing with no specified terms of repayments.

12. Related Parties

The contract facilities, Betel Home - Selkirk, and Betel Home - Gimli, are related to the Betel Home Foundation. Any fundraising from the Betel Home Foundation is solely for the benefit of the contract facilities.

13. Net Assets - Internal Restrictions and External Restrictions

Internal Restrictions

The Board of Directors has internally restricted $169,586 (2003 - $215,491) of interest earned on donations and operating funds. The cumulative balance of internally restricted net assets is $1,642,654 (2003 - $1,498,068).

External Restrictions

Net assets subject to externally imposed restrictions represent the former balances of net assets of facilities integrated into the Interlake Regional Health Authority. Such net assets are restricted to community contributions and/or for the benefit of the community from which the net assets originated.

14. Comparative Figures

Certain of the comparative figures for the year ended March 31, 2003 have been reclassified to conform to the current year's financial statement presentation.

15. Adjustment to Deferred Contributions and Long-term Debt

In March, 2002 the Authority received a contribution of $11,000,000 from the Province of Manitoba to facilitate repayment of borrowings from Chartered Banks. Subsequently Manitoba Health has provided the Authority with funding to repay this contribution at a rate of $70,513 per month plus interest.

In the current year, the Authority has changed its method of accounting for this contribution from presenting it as a note payable within long-term debt to presenting it as a deferred contribution related to capital assets. Any related interest expense and funding thereof has also been removed. These changes are consistent with a change in the treatment of these contributions by the Province of Manitoba and are supported by section 3050 of the Public Sector Accounting Handbook and section 4410 of the CICA Handbook. These changes have been applied retroactively with restatement of the comparative figures for the year ended March 31, 2003. The effect of the change as at March 31, 2003 was to decrease long-term debt by $10,153,846 and increase deferred contributions by a corresponding amount.

16. Change in Accounting Policy

Effective April 1, 2003, Manitoba Health changed its funding methodology for future employee benefits. Vacation benefits are accrued as employees earn the benefits. Previously, these costs were charged to income and expense as amounts were paid.

At March 31, 2004, Manitoba Health has agreed to fund the existing liabilities and therefore the amounts previously recorded as deferred benefit costs are now classified as receivables.

The effect of the change for the year ended March 31, 2003 in the consolidated statement of operations is to increase revenue from Manitoba Health by $323,957 and to increase employee vacation benefits expense by $323,957.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Schedule of Expenditures by Type

For the year ended March 31	2004	2003
Salaries and Benefits		
Salaries - other	$ 19,522,821	$ 17,738,141
Salaries - health care aides	10,086,584	9,549,540
Salaries - registered nurses	9,990,554	8,768,821
Benefits	5,795,192	5,516,149
Health and education tax	940,796	856,862
Salaries - licensed practical nurses	4,468,921	3,984,247
Purchased services	2,661,301	2,532,072
Total salaries and benefits	53,466,169	48,945,832
Supplies		
Other supplies	3,047,351	2,931,404
Drugs and medical gases	2,270,877	2,276,396
Utilities	1,282,870	1,217,098
Medical and surgical supplies	1,330,932	1,192,094
Total supplies	7,932,030	7,616,992
Other Expenditures		
Other expenses	3,747,414	3,747,135
Medical remuneration	4,993,965	4,276,027
Contracted health facilities	1,640,061	1,699,901
Proprietary home funding	-	6,078,063
Amortization	2,315,962	2,166,054
Purchased services	1,530,799	1,425,051
Staff travel	1,491,111	1,441,537
Interest	298,838	284,170
Client travel	642,465	546,809
Safety and security	592,145	264,477
Total other expenditures	17,252,760	21,929,224
Total expenditures	$ 78,650,959	$ 78,492,048

KENDALL WALL PANDYA

Chartered Accountants

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Partners.... David Kendall, FCA
Robert Wall, FCA
Manisha Pandya, CA

AUDITOR'S REPORT

To the Chairperson and Board of Directors

We have audited the statement of financial position of Nor-Man Regional Health Authority Inc. as at March 31, 2004 and the Statements of Operations, Net Assets, Deferred Contributions, and Cash Flow for the year then ended. These financial statements are the responsibility of the Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Nor-Man Regional Health Authority Inc. as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kendall Wall Pandya

Chartered Accountants

Flin Flon, MB
June 2, 2004

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2004

ASSETS

	Notes	2004	2003 (Note 13 & 14)
CURRENT ASSETS			
Cash		$ -	$ 334,826
Accounts receivable	4a	1,150,952	1,150,933
Due from Manitoba Health	4b	5,055,621	3,767,897
Inventories	2b	496,050	416,262
Prepaid expense		190,534	137,139
		6,893,157	5,807,057
DUE FROM MANITOBA HEALTH	4c	2,654,372	2,148,437
CAPITAL ASSETS (Schedule 1)		29,802,675	30,298,460
		$39,350,204	$38,253,954

LIABILITIES

	Notes	2004	2003
CURRENT LIABILITIES			
Bank indebtedness		$ 1,118,431	$ -
Accounts payable		3,441,921	2,828,986
Accrued vacation benefit entitlements		2,839,934	2,566,532
Current portion of long-term debt	8	491,966	371,963
		7,892,252	5,767,481
LONG-TERM DEBT	8	3,917,411	3,440,348
ACCRUED PRE-RETIREMENT OBLIGATIONS	9	2,654,372	2,148,437
DEFERRED CONTRIBUTIONS	5		
Expenses of future periods		1,493,613	1,543,545
Capital assets		24,025,146	24,989,852
NET ASSETS			
Invested in capital assets	6	1,368,152	1,496,298
Restricted	7	54,896	55,373
Unrestricted		(2,055,638)	(1,187,380)
		$39,350,204	$38,253,954

Approved by the Board:

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2004

	2004	2003 (Note 13 & 14)
REVENUE		
Manitoba Health - Note 10	$48,662,711	$46,201,306
Non-insured income	5,411,912	5,530,149
Other income	3,418,477	3,252,152
Amortization of deferred contributions	2,345,731	2,261,879
Ancillary revenue	1,602,061	1,602,111
	61,440,892	58,847,597
EXPENSES		
Acute care	26,234,876	24,476,386
Long-term care	7,008,047	6,943,986
Medical remuneration	7,918,551	6,617,597
Community based therapy	343,845	281,235
Community services administration	507,437	457,085
Community based mental health	829,988	803,443
Community based home care	4,196,023	3,976,856
Community based health	2,681,148	2,650,168
Land ambulance	1,429,786	1,266,231
Regional health authority costs	2,505,484	2,299,557
Amortization of capital assets	2,473,877	2,341,905
Interest on long-term debt	145,655	107,519
Other - Northern Patient Transportation	4,120,624	3,916,232
Other - Rosaire House Addictions Centre	625,558	631,552
Ancillary expenses	1,416,874	1,575,532
	62,437,773	58,345,284
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ (996,881)	$ 502,313

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2004

	Invested in Capital Assets	Restricted	Unrestricted	2004 Total	2003 Total
Balance, Beginning of year	$1,496,298	$ 55,373	$(1,187,380)	$ 364,291	$(138,022)
Excess (deficiency) of revenue over expenses	(128,146)	(477)	(868,258)	(996,881)	502,313
	$1,368,152	$ 54,896	$(2,055,638)	$(632,590)	$ 364,291

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF DEFERRED CONTRIBUTIONS

FOR THE YEAR ENDED MARCH 31, 2004

	Major repairs and improvements	Donations	Grants	Total expenses of future periods	Capital
Balance, beginning of year	$ 83,038	$675,934	$784,573	$1,543,545	$ 8,981,518
Prior period adjustment - Note 14	-	-	-	-	16,008,334
Balance, beginning of year as restated	83,038	$675,934	784,573	1,543,545	24,989,852
Contributions	8,153	-	-	8,153	227,569
Outright funding - specialized equipment	-	-	-	-	544,993
Amounts transferred	-	(192,163)	-	(192,163)	192,163
Donations	-	117,933	-	117,933	-
Debt reduction	-	-	-	-	438,300
Amortization - capital	-	-	-	-	(2,345,731)
Disposal of capital assets	-	-	-	-	(22,000)
Grants	-	-	16,145	16,145	-
	$ 91,191	$601,704	$800,718	$1,493,613	$24,025,146

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF CASH FLOW

AS AT MARCH 31, 2004

	2004	2003
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	$ (996,881)	$ 502,313
Items not involving cash		
Amortization of capital assets	2,473,877	2,341,905
Amortization of deferred contributions	(2,345,731)	(2,261,879)
Change in non-cash working capital	(534,590)	393,540
Deferred contributions		
Grants	16,145	120,319
Donations	117,933	181,242
Major repairs and improvements	8,153	8,152
	(1,261,094)	1,285,592
FINANCING AND INVESTMENT ACTIVITIES		
Specialized equipment funding	544,993	155,861
Basic equipment	227,569	166,200
Purchase of capital assets	(1,821,568)	(1,905,376)
Construction in progress expenditures	(178,523)	(117,706)
Manitoba Health-debt principal funding	438,300	304,587
Issuance of long-term debt	1,035,366	1,389,476
Repayment of long-term debt	(438,300)	(304,587)
	(192,163)	(311,545)
NET INCREASE (DECREASE) IN CASH	(1,453,257)	974,047
CASH at beginning of year	334,826	(639,221)
CASH AT END OF YEAR	$(1,118,431)	$ 334,826

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

NOTES TO FINANCIAL STATEMENT

YEAR ENDED MARCH 31, 2004

1. (a) NATURE AND PURPOSE OF THE ORGANIZATION

NOR-MAN Regional Healthy Authority Inc. (the "Authority") is a corporation without share capital continued under The Regional Health Authorities and Consequential Amendments Act, Statues of Manitoba 1996 c.53. The Authority operates health care programs and services in a geographic region that extends from Grand Rapids/Grand Rapids First Nation in the southeast corner to Flin Flon in the extreme northwest part of the Region. Pukatawagan is also part of the Region. The Authority delivers its services through hospitals and other health care facilities. Hospitals are located in Flin Flon, The Pas, and Snow Lake. The Authority is a registered charity under the Income Tax Act and accordingly, is exempt from income taxes, provided some requirements of the Income Tax Act are met.

(b) ASSUMPTION OF RESPONSIBILITY FOR FACILITIES AND OPERATING AUTHORITY

Pursuant to certain terms and conditions under various transfer agreements, the Authority took over management of facilities consisting of land and buildings together with equipment, other assets, liabilities and general operating authority as of April 1, 1997 from the following previously independently operating boards:

- The Board of Directors of the Flin Flon General Hospital, Flin Flon Personal Care Corporation and Northern Lights Manor
- The Board of Directors of The Pas Health Complex
- The Board of Directors of the Snow Lake Medical Nursing Unit
- Manitoba Health (Community Services)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles:

(a) CONTRIBUTED SERVICES
Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(b) INVENTORY
Medical, drugs and other supplies are valued at the lower of average invoice cost and net realizable value.

(c) RETIREMENT ENTITLEMENT OBLIGATIONS
The authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) REVENUE RECOGNITION

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Ministry of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received, at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Donations are recognized as direct increases in deferred contributions. Restricted investment income is recognized as revenue in the year in which related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(e) CAPITAL ASSETS

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Improvements and betterments which extend the estimated useful life of an asset are capitalized. When a capital asset has diminished its usefulness in providing the service, its carrying amount is written down to its residual value.

The Authority has adopted the policy of amortizing its capital assets on a straight-line basis using the following annual rates:

Land improvements	2.5%
Buildings	2.5%
Building service equipment	10.0%
Major equipment	10.0%
Computer equipment and software	20.0%

No amortization is provided for construction in progress until the project is complete or until the principal retirement of related debt commences.

3. ECONOMIC DEPENDENCE

The Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Ministry of Health.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

NOTES TO FINANCIAL STATEMENT

YEAR ENDED MARCH 31, 2004

4. ACCOUNTS RECEIVABLE/DUE FROM MANITOBA HEALTH

	2004	2003
(a) Accounts Receivable		
Ambulance	$ 792,431	$ 383,568
Residents	380,301	338,603
Employee computer loans	69,018	98,898
Government of Canada	70,676	223,807
Other government agencies	43,434	108,153
Sundry	57,874	47,034
	1,413,734	1,200,063
Less allowance for doubtful accounts	(262,782)	(49,130)
	$1,150,952	$1,150,933
(b) Due from Manitoba Health		
Current year's operating fund	$2,081,495	$ 910,829
Out of Globe - 2003	45,769	-
Approved capital funding	88,423	290,536
Vacation benefit entitlements	2,839,934	2,566,532
	$5,055,621	$3,767,897
(c) Due from Manitoba Health		
Pre-retirement obligation entitlements	$2,654,372	$2,148,437

5. DEFERRED CONTRIBUTIONS

(a) Related to expenses of future periods

(i) Major repairs and improvements

Deferred contributions related to future major repairs and improvements represent unspent externally and/or internally restricted grants for major repairs and improvements to buildings

(ii) Donations

These contributions are to be maintained primarily for the purchase of equipment and patient/resident activities. These amounts are not available for other purposes without approval of the Board of Directors.

(iii) Grants

Deferred contributions related to grants represent externally restricted unspent amounts of grants for various programs.

(b) Related to capital assets

Deferred capital contributions represent the unamortized amounts of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

6. NET ASSETS INVESTED IN CAPITAL ASSETS

Net assets invested in capital assets is calculated as follows:

	2004	2003
Capital assets	$ 29,802,675	$ 30,298,460
Amounts financed by:		
Deferred contributions	(24,025,146)	(24,989,852)
Long-term debt	(4,409,377)	(3,812,311)
	$ 1,368,152	$ 1,496,297

7. EXTERNAL RESTRICTIONS

Net assets are restricted for endowment purposes, and are subject to externally imposed restrictions that the assets be maintained permanently in the Sherry Grey Trust Fund and the St. Paul Residents Trust Fund. Investment income from these funds is restricted for patients' out of province travel and residents' expenses respectively.

8. LONG-TERM DEBT

	2004	2003
Flin Flon Hospital, Lab/HVAC, prime less .8%, Royal Bank, guaranteed by Province of Manitoba, payable $1,400 per month, maturing 2010	$ 50,422	$ 67,222
Flin Flon Hospital, Boiler Room, prime less .8%, Royal Bank, payable $5,095/month, maturing 2013	529,661	590,801
Flin Flon Personal Care Home, CMHC, 5.62%, payable $5,486 per month, maturing 2016	575,666	608,753
Flin Flon Personal Care Home, Roof, prime less .8%, Royal Bank, no set repayment terms	149,691	176,106
St. Anthony's Hospital - Fire Alarm Upgrade, prime less .8%, Royal Bank, payable $2,855 per month, maturing 2015	274,280	308,540
St. Anthony's Hospital, Power Upgrade, prime less .8%, Royal Bank, payable $2,855 per month, maturing 2006	102,680	136,940
St. Anthony's Hospital, Specialized Equipment, prime less .8%, Royal Bank, payable $3,665 per month, maturing 2018	593,356	637,336
Residual Borrowings, prime less .8%, Royal Bank, payable $12,140 per month, maturing 2016	1,140,933	1,286,613
St. Anthony's Hospital - Obstetrical Reno, prime less .8%, Royal Bank, payable $4,745 per month, maturing 2014	541,205	-
St. Anthony's Hospital - HVAC/Windows, prime less .8%, Royal Bank, payable $2,395 per month, maturing 2014	272,960	-

8. LONG-TERM DEBT (Cont'd)

	2004	2003
Snow Lake Health Centre - PCH Bed Project, prime less .8%, Royal Bank, no set repayment terms	$ 178,523	$ -
	4,409,377	3,812,311
Less: current portion	491,966	371,963
	$ 3,917,411	$ 3,440,348

Portion due within each of the next five years is as follows:

2005	$ 491,966
2006	491,966
2007	457,706
2008	457,706
2009	457,706
	$2,357,050

9. PRE-RETIREMENT OBLIGATIONS

	2004	2003
Members of the Health Employees Pension Plan	$2,429,273	$1,951,737
Members of the Civil Service Superannuation Plan	225,099	196,700
	$2,654,372	$2,148,437

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan is to pay out four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

(i) have ten years service and have reached the age of 55 or
(ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
(iii) retire at or after age 65
(iv) terminate employment at any time due to permanent disability

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service.
- 2 weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service.

9. PRE-RETIREMENT OBLIGATIONS (Cont'd)

The Authority undertook an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.5% and a rate of salary increase of 4.0% plus age related merit/promotion scale with no provision for disability.

Funding for the retirement obligation is recoverable from Manitoba Health on an out of globe basis in the year of payment.

10. REVENUE FROM MANITOBA HEALTH

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

10. REVENUE FROM MANITOBA HEALTH (Cont'd)

Revenue per Manitoba Health's final funding document		$48,169,948
Add: Accruals approved by Manitoba Health:		
Northern Nursing Stations - Moose Lake, Grand Rapids, Easterville	7,756	
CT operating costs for 2003/04	163,449	
MAHCP negotiated wage increase for 2003/04	384,354	
Pre-retirement	94,537	
Authorized and residential charges	36,967	
Medical remuneration	1,346,193	
Accreditation fees for 2003/04	2,754	2,036,010
Deduct: Payments to Manitoba Health for surplus funding for out-of-global items:		
Interest on long term debt		(25,990)
Total funding approved by Manitoba Health		50,179,968
Add: Items not reflected in Manitoba Health's final funding document:		
EMS funding	245,100	
MGEU wage settlement 2002/2003	96,757	
Increased receivable for employee future vacation benefits	273,402	
Retroactive funding - medical remuneration	323,867	
CNRC one time payment	34,170	
Surplus on 2002/03 year end settlement	12,327	985,623
Deduct: Amounts recorded as deferred contributions:		
Principal reduction on loans	(438,300)	
Major repairs and improvements	(8,153)	
Contribution for basic equipment	(227,569)	(674,022)
: Other items:		
Manitoba Finance holdback		(1,828,858)
Revenue from Manitoba Health		$48,662,711

1. PENSION PLAN

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountant's Handbook section 3461.

11. PENSION PLAN (Cont'd)

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimate, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2003, indicates that the plan has a contribution deficiency. A requested contribution rate increase has been refused and other options, such as benefit reductions, are being assessed to address the deficiency. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $863,061 (2003 - $886,277) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

12. RELATED ENTITIES

The Pas Health Complex Foundation, Inc. (the Foundation) is a non-profit voluntary association whose purpose is the betterment of health care at The Pas Health Complex facilities. While there is no formal relationship between the Authority and this registered charitable Foundation, the aims and objectives coincide. The Authority regularly provides the Foundation with a listing of project/equipment requirements for the Foundation to consider in their annual funding process.

13. STATEMENT PRESENTATION

Prior year figures have been restated for comparative purposes.

14. PRIOR PERIOD ADJUSTMENT

Due to a change in the revenue recognition policy, a $17,000,000 advance from the Province of Manitoba in 2002, previously treated as long-term debt has been reclassified as a deferred contribution related to capital assets. This deferred contribution is being amortized over the remaining life of assets for which the contribution was received.

These financial statements reflect this policy by increasing the deferred contributions in capital assets at March 31, 2003 by $16,008,334 to $24,989,852 and reducing long-term debt by the same amount to $3,812,311.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

Schedule 1

SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

AS AT MARCH 31, 2004

	2004		2003	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
SNOW LAKE MEDICAL NURSING UNIT				
Land improvements	$ 41,394	$ 22,471	$ 41,394	$ 21,288
Building	931,811	575,185	931,811	549,590
Ambulance garage	23,831	14,299	23,831	13,703
Equipment	127,167	73,245	117,968	73,867
Construction in progress	178,523	-	-	-
	1,302,726	685,200	1,115,004	658,448
NORTHERN LIGHTS MANOR - FLIN FLON				
Land and building	6,602,015	1,061,314	6,602,015	715,020
Equipment	37,008	21,482	24,564	20,749
	6,639,023	1,082,796	6,626,579	735,769
REGIONAL HEALTH AUTHORITY OFFICE				
Equipment	2,137,658	1,099,879	1,949,824	795,623
FLIN FLON GENERAL HOSPITAL				
Land	6,001	-	6,001	-
Land improvements	70,577	47,993	70,577	46,581
Building	6,997,930	2,147,127	6,913,907	1,943,819
Ambulance garage	83,131	33,252	83,131	31,174
Equipment	2,420,451	1,132,213	2,437,227	1,045,966
Construction in progress	-	-	84,022	-
Donation assets	8,439	8,439	8,439	8,439
Housing	232,911	-	232,911	-
Ambulance program assets	195,082	-	217,082	-
	10,014,522	3,369,024	10,053,297	3,075,979
FLIN FLON PERSONAL CARE HOME				
Land	115,257	-	115,257	-
Building	2,143,457	1,236,296	2,143,457	1,175,819
Equipment	38,877	21,030	40,167	18,432
	2,297,591	1,257,326	2,298,881	1,194,251

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

Schedule 1
(Continued)

AS AT MARCH 31, 2004

	2004		2003	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
ST. ANTHONY'S HOSPITAL - THE PAS				
Land	$ 93,576	$ -	$ 93,576	$ -
Land improvements	272,254	185,132	272,254	179,688
Buildings	8,614,900	3,028,057	7,243,894	2,800,468
Equipment	3,172,497	1,154,230	2,726,804	989,226
Construction in progress	-	-	514,000	-
Ancillary operations assets	14,838	14,838	14,838	14,838
	12,168,065	4,382,257	10,865,366	3,984,220
ST. PAUL'S RESIDENCE - THE PAS				
Buildings	10,120,794	3,009,563	10,120,794	2,298,440
Equipment	31,054	22,713	35,459	24,014
	10,151,848	3,032,276	10,156,253	2,322,454
	$44,711,433	$14,908,758	$43,065,204	$12,766,744
Net Book Value	$29,802,675		$30,298,460	

See accompanying notes.

Deloitte

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AUDITORS' REPORT

To the Directors of
North Eastman Health Association Inc.

We have audited the statement of financial position of North Eastman Health Association Inc. as at March 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
June 9, 2004

NORTH EASTMAN HEALTH ASSOCIATION INC.

Statement of Financial Position

March 31, 2004

	2004	2003 (Restated - Note 3)
ASSETS		
CURRENT ASSETS		
Cash	$ 2,376,998	$ 2,757,246
Accounts receivable (Note 4)	2,422,591	1,919,830
Inventories	470,263	419,307
Prepaid expenses	94,655	59,304
Due from Manitoba Health - Vacation entitlement	1,926,024	1,716,791
	7,290,531	6,872,478
Due from Manitoba Health - Retirement obligation	1,859,090	1,514,422
Capital assets (Note 5)	33,051,952	34,060,712
	$ 42,201,573	$ 42,447,612
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 860,738	$ 951,832
Accrued liabilities	1,386,774	894,258
Deferred vacation entitlement	1,926,024	1,716,791
Current portion of long term debt (Note 6)	1,481,451	808,459
	5,654,987	4,371,340
ACCRUED RETIREMENT OBLIGATION (Note 11)	1,859,090	1,514,422
LONG TERM DEBT (Note 6)	2,965,953	3,070,684
	10,480,030	8,956,446
DEFERRED CONTRIBUTIONS (Note 7)		
Expenses of future periods	1,241,008	1,024,835
Capital assets	10,431,493	10,458,656
Loans payable to the province	17,142,857	18,571,429
	28,815,358	30,054,920
Commitments and contingencies (Note 10)		
NET ASSETS		
Invested in capital assets (Note 8)	1,283,064	1,319,025
Externally restricted	414,621	421,807
Unrestricted	1,208,500	1,695,414
	2,906,185	3,436,246
	$ 42,201,573	$ 42,447,612

APPROVED BY THE BOARD:

.... Director

.... Director

NORTH EASTMAN HEALTH ASSOCIATION INC.

Statement of Operations

Year Ended March 31, 2004

	2004	2003 (Restated - Note 3)
REVENUE		
Manitoba Health income (Note 9)	$ 32,934,000	$ 29,978,970
Non-insured income	2,543,431	2,519,963
Offset income	1,627,110	1,314,212
Amortization of deferred contributions	1,555,877	1,520,855
Ancillary income	350,641	290,439
	39,011,059	35,624,439
EXPENSES		
Acute Care Services	9,344,840	8,641,619
Long Term Care Services	11,502,267	10,698,979
Community Based Home Care	4,627,352	4,435,249
Health Promotion/Prevention and Primary Care	4,293,129	3,666,627
Regional Health Authority	1,989,490	1,762,488
Lab and Imaging Services	1,751,235	1,654,775
Northern Patient Transportation Program	142,480	170,395
Land Ambulance Program	1,536,651	1,003,766
Dialysis	228,587	212,085
Medical remuneration	2,209,643	2,134,601
Interest	184,920	153,544
Depreciation	1,570,149	1,537,696
Ancillary operations operating expenses	285,412	278,489
Ancillary operating depreciation	63,827	62,375
	39,729,982	36,412,688
DEFICIENCY OF REVENUE OVER EXPENSES BEFORE THE FOLLOWING	(718,923)	(788,249)
Manitoba Health funding received for prior years	188,862	558,187
DEFICIENCY OF REVENUE OVER EXPENSES	$ (530,061)	$ (230,062)

NORTH EASTMAN HEALTH ASSOCIATION INC.

Statement of Changes in Net Assets

Year Ended March 31, 2004

	2004				2003
	Invested in Capital Assets	Externally Restricted	Unrestricted	**Total**	Total
BALANCE, BEGINNING OF YEAR	$ 1,319,025	$ 421,807	$ 1,695,414	**$ 3,436,246**	$ 3,666,308
Transfer from (to) deferred contributions (Note 12)	34,952	-	(34,952)	-	-
Purchase of equipment from externally restricted funds	7,186	(7,186)		-	-
Deficiency of revenue over expenses	(78,099)	-	(451,962)	**(530,061)**	(230,062)
BALANCE, END OF YEAR	$ 1,283,064	$ 414,621	$ 1,208,500	**$ 2,906,185**	$ 3,436,246

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Cash Flows
Year ended March 31, 2004

	2004	2003 (Restated - Note 3)
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	**$ (530,061)**	$ (230,062)
Items not affecting cash		
Amortization of deferred contributions relating to capital assets	**(1,555,877)**	(1,520,855)
Depreciation	**1,633,976**	1,600,071
	(451,962)	(150,846)
Changes in non-cash working capital items	**(187,646)**	(1,145,224)
Net increase in deferred contributions related to expenses of future periods	**247,058**	258,421
	(392,550)	(1,037,649)
FINANCING ACTIVITIES		
Proceeds of loans	**758,823**	161,502
Repayments of loans	**(190,562)**	(165,629)
Reduction in deferred contributions related to grants from the Province of Manitoba	**(1,428,572)**	(1,428,571)
Increase in deferred contributions related to capital assets (unspent at year end - $331,305 previous year - $245,976)	**1,497,829**	2,278,194
	637,518	845,496
INVESTING ACTIVITIES		
Purchase of capital assets	**(625,216)**	(1,254,617)
DECREASE IN CASH	**(380,248)**	(1,446,770)
CASH, BEGINNING OF YEAR	**2,757,246**	4,204,016
CASH, END OF YEAR	**$ 2,376,998**	$ 2,757,246

1. NATURE OF OPERATIONS

North Eastman Health Association Inc. ("the Association") was incorporated under the Health Authorities Act on April 1, 1997. The Association is principally involved in providing health care services to the north-eastern regions of Manitoba. The Association is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements include the following sites and services:

Beausejour Health Centre
Stony Plains Terrace
Whitemouth District Health Centre
Lac du Bonnet PCH and Health Centre
Springfield Ambulance
Lac Du Bonnet Ambulance
Winnipeg River Handivan
Springfield Handivan
Reynolds Ambulance
Pine Falls Ambulance
East-Gate Lodge
Pine Falls Health Complex
Beausejour & District Ambulance
Whitemouth District Ambulance
Kin Place Health Complex
Pinawa Ambulance
Pinawa Hospital
Bissett Ambulance
Whitemouth Handivan

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

a) *Revenue recognition*

The Association follows the deferral method of accounting for contributions, which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Association is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2004.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Revenue recognition (continued)

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the Provincial Insurance Plan, preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

Out-of-Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Association, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Association. Any unapproved costs not paid by Manitoba Health are absorbed by the Association.

In-Globe funding is funding approved by Manitoba Health for Regional Health Association programs unless otherwise specified as Out-of-Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response, and Transport. All additional costs in these five service categories must be absorbed from within global funding provided.

Any operating surplus greater than 2% of budget related to In-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Association, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Association is responsible for In-Globe deficits, unless otherwise approved by Manitoba Health.

b) Inventories

Inventories are valued at lower of cost or replacement cost. Cost is generally determined on an average cost basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) *Contributed services*

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

d) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the Facility's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements	5-10%
Buildings	2-5%
Leasehold improvements	5%
Building service equipment	4-10%
Equipment (including non-shareable)	5-20%
Vehicles	8-15%
Software and licenses	20%

Construction in progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to capital assets.

e) *Compensated absences*

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Association's benefit plans for vacation, statutory holiday and retirement allowances.

f) *Due from Manitoba Health – Vacation entitlement & retirement obligation*

Funding for vacation entitlements and retirement entitlement obligations is provided by Manitoba Health as part of its regular budget in the period in which expenditures are made. Accordingly, the cost of the estimated accrued vacation pay and retirement entitlement obligations at year-end is recorded on the statement of financial position as a receivable from Manitoba Health.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) *Financial instruments*

Credit risk
Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Association's accounts receivable are comprised mostly of amounts due from Manitoba Health and other government organizations, which reduces their risk.

Interest rate risk
Interest rate risk is the risk to the Association's earnings that arise from fluctuations in interest rates and the degree of volatility of these rates. The Association does not use derivative instruments to reduce this risk.

Fair value
The carrying amount of short-term financial assets and liabilities are a reasonable estimate of the fair values because of the short maturity of those instruments. Short-term financial assets are comprised of cash, accounts receivable and current portion of the Due from Manitoba Health – vacation entitlement. Short-term financial liabilities are comprised of accounts payable, accrued liabilities and the current portion of deferred vacation entitlement.

The fair value of the long term portion of the Due from Manitoba Health – retirement obligation and accrued retirement obligation could not be determined because there is no set date for repayment.

h) *Retirement entitlement obligations*

The Association applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

The Association has a contractual commitment, based on an actuarial valuation, for pre-retirement entitlement for members of the Health Employee Pension Plan and members of the Civil Service Superannuation Fund to pay out to employees four days salary per year of service upon retirement if they comply with one of the following conditions:

i) have ten years service and have reached the age 55 or

ii) qualify for the "eighty".rule which is calculated by adding the number of years service to the age of the employee.

iii) retire at or after age 65

iv) terminate employment at any time due to permanent disability

Funding for the retirement entitlement is recoverable from Manitoba Health on an out-of-globe basis in the year of payment.

3. RESTATEMENT OF PRIOR PERIODS

During the year, the Association modified their method of accounting for accrued retirement obligations and accrued vacation obligations to include 15% benefits on the accrual. The prior period comparative numbers have been retroactively restated to account for the change. The net effect of the restatement for the year ended March 31, 2003 is to increase the Manitoba Health income by $421,462 and increase the acute care services by $421,462. In addition, the due from Manitoba Health – vacation entitlement is increased by $206,972 and the due from Manitoba Health retirement obligation is increased by $214,490, the deferred vacation entitlement is increased by $206,972 and the accrued retirement obligation is increased by $214,490.

In addition, the Association modified their method of accounting for Manitoba Health long term debt at the request of Manitoba Health. The modification resulted in the reclassification of the loan payable from Manitoba Health to deferred contributions loans payable to the province. As a result of the reclassification the interest on the loan payable has been restated in the prior period. Therefore, the prior period comparative numbers have been retroactively restated to account for the change. The net effect of the restatement for the year ended March 31, 2003 is to decrease Manitoba Health income by $1,247,346 and decrease the interest expense by $1,247,346.

4. ACCOUNTS RECEIVABLE

	2004	2003
Dues receivable from Foundations	**$ 2,664**	$ -
Canadian Customs and Revenue Agency – GST Rebate	**108,499**	110,496
Ambulance	**161,389**	83,907
Clients	**17,190**	41,492
Other	**198,714**	324,122
	488,456	560,017
Due from Manitoba Health:		
In-Globe funding	**115,043**	751,038
Out-of-Globe funding	**1,463,678**	(206,850)
Approved capital funding	**355,414**	815,625
	1,934,135	1,359,813
	$ 2,422,591	$ 1,919,830

5. CAPITAL ASSETS

	2004		2003	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 333,035	$ -	$ 333,035	$ -
Land improvements	369,815	294,284	369,815	284,617
Buildings	41,170,022	10,580,221	41,165,381	9,490,707
Leasehold improvements	14,399	5,531	14,399	4,811
Building service equipment	263,000	84,271	172,308	66,833
Equipment	8,872,606	7,272,656	8,342,730	6,856,580
Non-shareable equipment	722,543	678,583	722,543	663,265
Vehicles	936,323	714,245	936,323	630,393
Software and licenses	51,394	51,394	51,394	50,010
	52,733,137	19,681,185	52,107,928	18,047,216
Cost less accumulated depreciation	$ 33,051,952		$ 34,060,712	

6. LONG-TERM DEBT

	2004	2003 (Restated - Note 3)
Bank demand loan, interest at prime rate less 5/8%, maturing March of 2013 and requiring monthly principal payments of $2,615.	$ 289,981	$ -
Bank demand loan, interest at prime rate less 5/8%, maturing October of 2015 and requiring monthly principal payments of $5,200.	943,861	555,753
Bank demand loan, interest at prime rate less 5/8%, maturing May of 2016 and requiring monthly principal payments of $985.	143,772	155,592
CMHC Mortgages payable, at interest rates from 6.87% to 9.2% maturing at various dates to 2024 and requiring monthly principal and interest payments of $27,203	3,069,790	3,167,798
	4,447,404	3,879,143
Less current portion:		
Bank demand loans	1,377,614	711,345
Mortgages payable	103,837	97,114
	1,481,451	808,459
	$ 2,965,953	$ 3,070,684

6. LONG-TERM DEBT (continued)

The fair value of the Association's long-term debt is $4,864,033 as at March 31, 2004 (2003 – $4,415,095) calculated using discounted cash flows analysis based on incremental borrowing rates currently available for similar terms and maturities.

Principal repayments on the long-term debt are estimated as follows:

2005	$ 209,437
2006	216,628
2007	224,319
2008	232,545
2009	241,343
Thereafter	3,323,132

7. DEFERRED CONTRIBUTIONS

a) *Expenses of future periods*

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for research and other purposes.

	2004	2003
Balance, beginning of year	**$ 1,024,835**	$ 1,113,469
Add amount received related to future periods	**812,644**	581,339
Less amounts amortized to revenue	**(565,586)**	(322,918)
Less amounts transferred to deferred capital	**(30,885)**	(347,055)
	$ 1,241,008	$ 1,024,835

b) *Capital assets*

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

7. DEFERRED CONTRIBUTIONS (continued)

b) Capital assets (continued)

	2004			2003
	Capital Assets	Loan Payable to the Province	Total	(Restated - Note 3)
Balance, beginning of year, as previously stated	**$ 10,458,656**	**$ -**	**$ 10,458,656**	$ 9,354,262
Restatement (Note 3)	**-**	**18,571,429**	**18,571,429**	20,000,000
Balance, beginning of year, as restated	**10,458,656**	**18,571,429**	**29,030,085**	29,354,262
Additional contributions received/receivable	**1,497,829**	**-**	**1,497,829**	2,278,194
Debt repayments	**-**	**(1,428,572)**	**(1,428,572)**	(1,428,571)
Less amounts amortized to revenue	**(1,555,877)**	**-**	**(1,555,877)**	(1,520,855)
Amounts transferred from deferred contributions - expenses of future periods	**30,885**	**-**	**30,885**	347,055
	$ 10,431,493	**$ 17,142,857**	**$ 27,574,350**	$ 29,030,085

The balance of unamortized capital contributions related to capital assets consists of the following:

	2004	2003
Unamortized capital contributions used to purchase assets	**$ 10,100,188**	$ 10,212,680
Unspent contributions	**331,305**	245,976
	$ 10,431,493	$ 10,458,656

8. INVESTMENT IN CAPITAL ASSETS

a) *Investment in capital assets is calculated as follows:*

	2004	2003
Capital assets	**$ 33,051,952**	$ 34,060,716
Amounts financed by:		
Deferred contributions	**(10,100,188)**	(10,212,680)
Deferred contributions – Loans payable to Province	**(17,142,857)**	(18,571,429)
Long term debt	**(4,447,404)**	(3,879,143)
Due to operating account	**(78,439)**	(78,439)
	$ 1,283,064	$ 1,319,025

b) *Change in net assets invested in capital assets is calculated as follows:*

	2004	2003
Excess of revenue over expenses:		
Amortization of deferred contributions related to capital assets	**$ 1,555,877**	$ 1,520,855
Depreciation of capital assets	**(1,633,976)**	(1,600,071)
	$ (78,099)	$ (79,216)

	2004	2003
Net change in investment in capital assets:		
Purchase of capital assets	**$ 625,216**	$ 1,254,617
Amounts funded by:		
Deferred contributions	**(587,145)**	(674,597)
Long-term debt	**-**	(161,502)
Amounts transferred from deferred contributions – expenses of future periods	**(30,885)**	(347,055)
Transfers from deferred contributions and unrestricted net assets	**34,952**	31,174
Due to operating	**-**	27,717
	42,138	130,354
Total changes in net assets invested in capital assets	**$ (35,961)**	$ 51,138

9. MANITOBA HEALTH INCOME

Revenue from Manitoba Health		
	Revenue as per Manitoba Health's final funding document	$ 32,294,616
Add:	Salary contract settlements	840,165
	Public health programs	427,026
	Safety & Security – concrete paths – Pinawa	15,211
	Safety & Security – nursing	9,482
	Diagnostic equipment funding	408
	Primary health transition funding	115,900
	Primary health IT initiative	40,476
Deduct:	Payments to Manitoba Health for surplus funding of Out-of-Globe items	(137,233)
Total funding approved by Manitoba Health		33,606,051
Add:	Additional vacation and pre-retirement entitlement receivable	553,900
	Salary funding adjustments	181,073
	Medical remuneration	148,139
	ICD-10 conversion	1,476
	Community Health Assessment	66,141
	Nursing recruitment and retention	12,341
	One time funding – EMS	116,089
Deduct:	Amounts recorded as deferred contributions	(1,751,210)
Revenue from Manitoba Health		$ 32,934,000

10. COMMITMENTS AND CONTINGENCIES

a) The Association has entered into various operating lease commitments. The amounts payable over the next five years are as follows:

2005	$ 107,922
2006	107,922
2007	105,922
2008	95,922
2009	95,922

b) The nature of the Association's activities is such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2004, management believes the Association has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Association's financial position.

10. COMMITMENTS AND CONTINGENCIES (continued)

c) The Association participates in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2004.

11. EMPLOYEE FUTURE BENEFITS

a) *Accrued retirement entitlement*

The significant actuarial assumptions adopted in measuring the Association's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% and a rate of salary increase of 4.0% plus age related merit/promotion scale with nil % for disability.

b) *Pension plan*

Many of the employees of the Association are members of the Health Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling plus 6.6% of basic earnings in excess of the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2002, indicates the plan is fully funded.

11. EMPLOYEE FUTURE BENEFITS (continued)

b) Pension Plan (continued)

Certain of the employees of the Association are eligible for membership in the Manitoba Homecare Employees Pension Plan, a multi-employer plan.

Actual contributions to the Health Employees Pension Plan and the Manitoba Homecare Employees Pension Plan made during the year by the Association on behalf of its employees amounted to $856,721 (2003 - $765,875) and are included in the statement of operations.

Many of the employees of the Association are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Association employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participation in the pension plan by the Association and its employees.

12. TRANSFER FROM (TO) DEFERRED CONTRIBUTIONS

The amount transferred to Deferred Contributions relates to the loan repayments made during the year for self-funded assets. The amount also included other transfers from net assets that were minor reclassifications to conform to current year presentation.

13. FOUNDATIONS

North Eastman Health Association has no foundations, as defined in section 4450 of the CICA Handbook.

14. RECLASSIFICATION OF PRIOR YEAR'S FIGURES

Certain of the prior year's figures have been reclassified to conform with current year's presentation.

Management's Responsibility

To the Members of Parkland Regional Health Authority Inc.:

Management has responsibility for preparing the accompanying consolidated financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian generally accepted accounting principles.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Organization. The Audit Committee is appointed by the Board to review the consolidated financial statements in detail with management and to report to the Board prior to their approval of the consolidated financial statements for publication.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the members of Parkland Regional Health Authority to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

Management

Management

Auditors' Report

To the Board of Directors of Parkland Regional Health Authority Inc.

We have audited the consolidated statement of financial position of the Parkland Regional Health Authority Inc. as at March 31, 2004 and the consolidated statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Parkland Regional Health Authority Inc. as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Dauphin, Manitoba

June 6, 2004

Chartered Accountants

Parkland Regional Health Authority Inc.
Consolidated Statement of Financial Position
As at March 31, 2004

	Contract	*Devolved*	*2004*	*2003*
Assets				
Current				
Cash	1,963,546	6,539,673	**8,503,219**	5,911,111
Temporary investments	140,000	269,932	**409,932**	1,014,727
Deferred benefits receivable *(Note 3)*	3,190,133	4,392,546	**7,582,679**	5,566,538
Accounts receivable (*Note 4)*	254,050	706,654	**960,704**	1,126,391
Due from Manitoba Health *(Note 5)*	-	969,996	**969,996**	1,297,887
Inventory	359,024	1,077,987	**1,437,011**	1,440,172
Prepaid expenses	422,156	338,581	**760,737**	678,722
Inter-facility	(4,393,641)	4,393,641	**-**	-
	1,935,268	18,689,010	**20,624,278**	17,035,548
Long-term investments *(Note 6)*	145,070	13,941,620	**14,086,690**	12,991,026
Capital assets *(Note 7)*	25,121,650	36,740,805	**61,862,455**	61,226,799
Trust assets	33,406	27,141	**60,547**	60,226
Deferred benefits *(Note 3)*	676,482	1,926,278	**2,602,760**	3,302,870
	27,911,876	71,324,854	**99,236,730**	94,616,469

Continued on next page

e accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.

Consolidated Statement of Financial Position

As at March 31, 2004

Continued from previous page

	Contract	*Devolved*	*2004*	*2003*
Liabilities				
Current				
Lines of credit	5,922	3,490,505	**3,496,427**	1,553,083
Accounts payable and accruals	55,313	4,626,831	**4,682,144**	3,691,139
Deferred benefits payable *(Note 3)*	3,190,133	4,392,546	**7,582,679**	5,566,538
Current portion of long-term debt *(Note 8)*	477,932	22,068	**500,000**	500,000
	3,729,300	12,531,950	**16,261,250**	11,310,760
Long-term debt *(Note 8)*	3,798,163	1,698,202	**5,496,365**	5,879,159
Deferred benefits *(Note 3)*	676,482	1,926,278	**2,602,760**	3,302,870
Deferred contributions *(Note 12)*	15,624,560	50,966,355	**66,590,915**	66,186,818
Trust liabilities	33,406	27,141	**60,547**	60,226
	20,132,611	54,617,976	**74,750,587**	75,429,073
Net Assets				
Invested in capital assets *(Note 13)*	2,178,031	1,160,307	**3,338,338**	3,051,660
Internally restricted for capital purposes	86,786	660,966	**747,752**	718,512
Unrestricted net assets	1,785,148	2,353,655	**4,138,803**	4,106,464
	4,049,965	4,174,928	**8,224,893**	7,876,636
	27,911,876	71,324,854	**99,236,730**	94,616,469

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2004

	Invested in capital assets	*Internally restricted for capital purposes*	*Unrestricted*	***2004 Total***	*2003 Total*
Balance, beginning of year	3,051,660	718,512	4,106,464	**7,876,636**	7,468,030
Excess (deficiency) of revenues over expenses	(507,829)	7,002	112,911	**(387,916)**	433,616
Investment in capital assets	398,777	(100,362)	(298,415)	**-**	-
Internal transfers	141,695	122,600	(264,295)	**-**	-
Net transfers to foundations	-	-	-	**-**	(7,378)
Net assets acquired on amalgamation *(Note 17)*	254,035	-	482,138	**736,173**	-
Prior period adjustment	-	-	-	**-**	(17,632)
Balance, end of year	3,338,338	747,752	4,138,803	**8,224,893**	7,876,636

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.

Consolidated Statement of Operations

For the year ended March 31, 2004

	Contract	*Devolved*	***2004***	*2003*
Revenues				
Manitoba Health operating income *(Note 9)*	25,162,285	57,153,833	**82,316,118**	76,638,888
Patient income	3,841,593	2,882,356	**6,723,949**	6,374,493
Other income	845,090	3,167,663	**4,012,753**	2,878,690
Amortization of deferred contributions	964,572	2,305,079	**3,269,651**	3,320,306
	30,813,540	65,508,931	**96,322,471**	89,212,377
Expenses				
Acute care	12,888,314	23,326,063	**36,214,377**	33,418,380
Long-term care	14,937,524	11,663,748	**26,601,272**	25,078,646
Homecare	175,315	8,828,653	**9,003,968**	8,398,980
Community and mental health	523,781	8,421,210	**8,944,991**	8,399,580
Interest on long-term obligations	265,645	2,692,941	**2,958,586**	2,984,211
Medical remuneration	536,771	2,865,692	**3,402,463**	3,135,005
Regional health costs *(Note 10)*	-	1,266,100	**1,266,100**	1,133,590
Amortization of capital assets	1,174,453	2,637,767	**3,812,220**	3,692,486
Pre-retirement	333,811	273,034	**606,845**	426,786
Emergency response and transport	-	2,216,927	**2,216,927**	1,329,064
Parkland Regional Hospital Laundry Ltd.	-	821,457	**821,457**	782,033
Future employee benefits	-	861,181	**861,181**	-
	30,835,614	65,874,773	**96,710,387**	88,778,761
Excess (deficiency) of revenues over expenses	(22,074)	(365,842)	**(387,916)**	433,616

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2004

	Contract	*Devolved*	*2004*	*2003*
Cash provided by (used in)				
Operations				
Excess (deficiency) of revenues over expenses	(22,074)	(365,842)	**(387,916)**	433,616
Items not involving cash				
Amortization of capital assets	1,174,453	2,637,767	**3,812,220**	3,692,486
Amortization of deferred contributions	(964,572)	(2,305,079)	**(3,269,651)**	(3,320,306)
	187,807	(33,154)	**154,653**	805,796
Changes in non-cash operating working capital				
Temporary investments	63,655	541,140	**604,795**	(110,415)
Lines of credit	(209,743)	2,153,088	**1,943,345**	(280,288)
Due from Manitoba Health	-	327,891	**327,891**	2,235,521
Other working capital	(490,795)	1,141,810	**651,015**	(779,415)
	(636,883)	4,163,929	**3,527,046**	1,065,403
Financing and Investing				
Purchase of capital assets	(2,989,272)	(814,655)	**(3,803,927)**	(6,469,507)
Purchase of capital assets - amalgamation	(70,482)	(183,553)	**(254,035)**	-
Disposal of capital assets	-	139,997	**139,997**	-
Purchase of long-term investments	-	(3,361,118)	**(3,361,118)**	(193,004)
Disposal of investments	61,134	2,212,965	**2,274,099**	-
Cash received from amalgamation	242,029	315,404	**557,433**	-
Deferred contributions	1,322,079	2,351,669	**3,673,748**	4,540,373
Advances of long-term debt	-	274,702	**274,702**	448,503
Repayment of advances of long-term debt	(366,322)	(224,168)	**(590,490)**	-
Decrease in net assets	-	-	**-**	(25,009)
Inter-facility transfers	3,076,426	(3,076,426)	**-**	-
	1,275,592	(2,365,183)	**(1,089,591)**	(1,698,644)
Increase in cash during the year	826,516	1,765,592	**2,592,108**	172,555
Cash, beginning of year	1,137,030	4,774,081	**5,911,111**	5,738,556
Cash, end of year	1,963,546	6,539,673	**8,503,219**	5,911,111

The accompanying notes are an integral part of these financial statements.

1. Organization

The Parkland Regional Health Authority Inc. is a non-profit organization incorporated without share capital under the laws of Manitoba. The Parkland Regional Health Authority Inc. is involved in the provision of health care services to persons resident in the Parkland Region.

The Parkland Regional Health Authority Inc. is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

2. Significant accounting policies

The financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles, and include the following significant accounting policies:

Basis of accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized, as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Basis of reporting

These financial statements include the accounts of all controlled not-for-profit organizations of the Parkland Regional Health Authority Inc. All significant inter-departmental transactions have been eliminated.

The assets, liabilities, revenues and expenses of the following not-for-profit operations have been included in these financial statements:

Devolved facilities:

Dauphin Regional Health Centre
Roblin District Health Centre
Gilbert Plains Health Centre
Grandview Hospital District No. 3B
Dauphin & District Ambulance Service
Roblin & District Ambulance Service
Grandview Personal Care Home
Parkland Regional Hospital Laundry Ltd.
Swan Valley Ambulance Service
Ste. Rose Ambulance Service

Contract facilities:

McCreary/Alonsa Health Centre
Hôpital Général – Ste. Rose – General Hospital
Swan Valley Lodge (1991) Inc.
Swan River Valley Hospital
Swan River Valley Personal Care Home Inc.
Benito Health Centre
Winnipegosis – Mossey River Personal Care Home Inc.
Winnipegosis General Hospital
St. Paul's Home (Inc.)
Dr. Gendreau Personal Care Home Inc.
Swan River Hospital District No. 1
Canadian Mental Health Association, Swan Valley Branch, Inc.

The Parkland Regional Health Authority Inc. also receives funding from independent organizations which organize fundraising drives in various geographical areas exclusively for the use of the Parkland Regional Health Authority Inc. or its related entities. The extent of any funding provided by these independent entities is solely at the discretion of the board of directors of the independent entities.

A number of facilities within the Parkland Regional Health Authority Inc. receive donations from charitable foundations. As there is no control, significant influence or economic interest between the Parkland Regional Health Authority Inc. and these foundations no financial information regarding these foundations is reported or disclosed in the financial statements of the Parkland Regional Health Authority Inc.

Deferred benefits

The Authority records a liability for employee future benefits including accrued vacation entitlements, accrued overtime and accrued retirement obligations. In some facilities an expense is not recorded, but instead an offsetting asset described as "Deferred Benefits" is recorded to reflect the expected recovery of these costs from Manitoba Health in the future period in which the expenditures are made.

Temporary investments

Temporary investments are stated at the lower of cost and market value.

Inventory

Inventory is stated at the lower of cost and replacement cost. Cost is determined on the first-in, first-out basis.

Capital assets

Capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Buildings	20 to 40 years straight-line basis
Equipment	4 to 20 years straight-line basis

Employee future benefits

The Authority has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

a) have ten years service and have reached the age of 55, or
b) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

The Authority has recorded an accrual amount based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of the employees who have not yet met the criteria above. Funding for the retirement entitlement is recoverable from Manitoba Health on an out of globe basis in the year of payment.

Each year, the Authority undertakes an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% and a rate of salary increase of 4% plus age related merit/promotion scale with nil for disability.

Due from Manitoba Health

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

Revenue recognition

The Parkland Regional Health Authority Inc. follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions received for the periodic repayment of long-term debt

Funding provided by Manitoba Health for the periodic repayment of long-term debt is recorded as a deferred contribution. Amortization to revenue of this deferred contribution is recorded on a straight-line basis over the estimated useful life of the related capital assets.

Contributed services

A number of individuals donate significant amounts of time to the Organization's activities. No amount is reflected in the statements for donated services since no objective basis is available to measure the value of such services.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are made for amortization based on the useful lives of capital assets, amounts due from Manitoba Health, revenue from Manitoba Health and In Globe and Out of Globe funding that is not yet approved.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

3. Deferred benefits

Accrued employee benefit costs including vacation pay, unused statutory holiday pay, unpaid overtime and pre-retirement benefits are recorded as deferred benefits. In the devolved and one contract facility, changes in the amount of both the accrued liability for these costs and the change in the related amounts receivable from Manitoba Health are reflected in the statement of operations, all other contract facilities have chosen to adopt this policy in the coming year.

The pre-retirement benefits are determined by an actuarial valuation. The latest actuarial valuation of the pre-retirement leave as of March 31, 2004 - based on March 31, 2002 report - reports an obligation of $5,206,259 ($1,590,806 classified as a portion of the current assets and $3,615,453 as long-term).

4. Accounts receivable

	2004	*2003*
Ambulance	230,634	85,383
Residents/ Patients	101,410	147,495
Other	522,584	831,693
Province of Manitoba	66,997	28,281
Manitoba Nurses Union	18,471	14,052
Accrued interest	20,608	19,487
	960,704	1,126,391

5. Due from Manitoba Health

	2004	*2003*
Current years Operating Funding	724,790	810,397
Out of Globe – 2002/2003	(157,484)	(108,851)
Out of Globe – 2003/2004	(167,837)	-
Approved Capital Funding	570,527	596,341
	969,996	1,297,887

6. Long-term investments

	2004	*2003*
Manitoba Health sinking fund-trust account, various short-term and long-term investments earning interest of 2.85 to 6%. Sinking fund payments in each of the next five years will be $573,750. Fair market value of instruments are $13,827,900.	13,827,900	12,694,931
Manitoba Health sinking fund – trust account, various short-term and long-term investments earning an average interest rate of 3%. Sinking fund payments in each of the next five years will be $77,848. Fair market value of instruments are $93,331.	93,331	95,934
Various investments	165,459	200,161
	14,086,690	12,991,026

7. Capital assets

	Cost	*Accumulated Amortization*	*2004 Net Book Value*	*2003 Net Book Value*
Land	586,685	-	586,685	586,685
Buildings	*76,538,637*	(28,720,772)	47,817,865	49,096,318
Equipment	26,451,854	(20,274,539)	6,177,315	6,575,242
Construction in progress	7,280,590	-	7,280,590	4,968,554
	110,857,766	(48,995,311)	61,862,455	61,226,799

8. Long-term debt

	2004	*2003*
Mortgage Payable Canada Mortgage & Housing Corporation bearing interest at a rate of 9.625% and payable in monthly installments of $8,605 including interest and principal.	957,068	966,522
Mortgage Payable Canada Mortgage & Housing Corporation bearing interest at 8.00%, payable in monthly installments of $2,679 including interest, secured by a first mortgage on buildings, a letter of comfort from Manitoba Health, a promissory note signed by the facility and a borrowing resolution signed by the facility.	342,586	347,563
Mortgage Payable Canada Mortgage & Housing Corporation bearing interest at 8.00%. payable in monthly installments of $2,245 including interest, secured by a first mortgage on buildings, a letter of comfort from Manitoba Health, a promissory note signed by the facility and a borrowing resolution signed by the facility.	277,635	282,513
Mortgage Payable Canada Mortgage & Housing Corporation bearing interest at 9.625%, payable in monthly installments of $2,336 including interest, secured by a first mortgage on buildings, a letter of comfort from Manitoba Health, a promissory note signed by the facility and a borrowing resolution signed by the facility.	318,446	321,485
Loan Payable GMAC bearing interest at 1.900%, payable in monthly installments of $578 including interest, secured by a 2002 Chevrolet Venture.	22,978	-
Loan Payable Province of Manitoba, non interest bearing.	120,000	-

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	2004	*2003*
Mortgage Payable Canada Mortgage and Housing Corporation bearing interest at 4.970% payable in monthly installments of $3,769 including interest, secured by a first mortgage and assignment of fire insurance coverage on the building with a net book value of $420,675.	**429,668**	453,076
Mortgage Payable Canada Mortgage & Housing Corporation bearing interest at 6.375%, payable in monthly installments of $3,688 including interest, secured by a first mortgage on buildings, a letter of comfort from Manitoba Health, a promissory note signed by the facility and a borrowing resolution signed by the facility, due 2019.	**440,145**	456,152
Loan Payable TD Canada Trust, bearing interest at prime less .500%, payable in monthly installments of $1,530 plus interest.	**54,898**	73,258
Loan Payable TD Canada Trust, bearing interest at prime less .750%, payable in monthly installments of $6,625 plus interest.	**522,838**	594,601
Loan Payable Swan Valley Credit Union bearing interest at 3.750%, payable in monthly installments of $8,790 plus interest, secured by the Swan Valley Personal Care Home Inc. building having a net book value of $1,782,868.	**744,346**	860,404
Loan Payable Canada Mortgage and Housing Corporation bearing interest at 7.250% payable in monthly installments of $3,124 including interest, secured by the Swan Valley Personal Care Home Inc. building having a net book value of $1,782,868, maturing 2022.	**386,805**	396,296
Loan Payable TD Canada Trust, bearing interest at prime less .500%, payable in monthly installments of $1,835 plus interest, secured by the Swan Valley Personal Care Home Inc. building having a net book value of $1,782,868, no fixed repayment terms.	**76,685**	98,705
Mortgage Payable Dauphin Plains Credit Union, bearing interest at prime, currently 4.250% payable in monthly installments of $14,105 plus interest, secured by a letter of comfort.	**1,028,926**	1,195,108

	2004	*2003*
Mortgage Payable Canada Mortgage and Housing Corporation mortgage payable, bearing interest at 8.000%, payable in monthly installments of $2,235 including interest, secured by a first mortgage on the Dr. Gendreau Memorial Personal Care Home Inc. building having a net book value of $3,497,200, a letter of comfort from Manitoba Health, a promissory note signed by the facility, and a borrowing resolution signed by the facility, due 2025.	**273,341**	278,260
Debenture Payable	**-**	18,000
Loan Payable	**-**	12,900
Demand Loan	**-**	24,316
	5,996,365	6,379,159
Amount due within one year included in current liabilities	**500,000**	500,000
	5,496,365	5,879,159

Principal repayments required in each of the next five years are estimated as follows:

2005	500,000
2006	530,000
2007	530,000
2008	510,000
2009	510,000

9. Manitoba Health operating income

			2004
Revenue as per Manitoba Health's final funding document			**82,447,162**
Add:	Pharmacist retention bonus	81,710	
	Salary increments	392,018	
	Medical remuneration (prior year payment)	94,479	**568,207**
			83,015,369
Deduct:	Payments to Manitoba Health for surplus funding for out-of-globe items		**(167,837)**
Total funding approved by Manitoba Health			**82,847,532**

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			2004
Add:	Hepatitis B Program	50,796	
	Influenza Program	43,334	
	Community Health Needs Assessment	39,514	
	International Classification of Diseases Version 10 Upgrade	7,873	
	Self Help Centre	41,600	
	Employee Future Benefits	1,081,113	**1,264,230**
Previous year settlement's adjustments			**467,049**
Deduct:	Amounts recorded as deferred contributions for:		
	- Long-term debt	1,765,341	
	- Equipment funding	459,864	
	- Major repairs	37,488	**(2,262,693)**
			82,316,118

10. Regional Health Authority Inc. costs

	2004	*2003*
Corporate office salaries	**625,897**	595,684
Corporate office benefits	**84,438**	78,472
Expenses paid on behalf of facilities	**47,588**	42,826
Board expenses	**123,140**	93,559
Medical recruitment	**11,983**	5,427
Nursing formal education	**63,996**	32,558
Other	**309,058**	285,064
	1,266,100	1,133,590

11. Pension plan

Substantially all of the employees of the Authority are members of the Health Employees Pension Plan (HEPP) or the Civil Service Superannuation Plan (CSSP). HEPP is a multi-employer defined benefit pension plan, which is accounted for as a defined contribution plan. The plan is available to all eligible employees of the participating members of the Authority. Former civil servants transferred to the Authority remained members of the CSSP which is a government based defined benefit plan. All new Authority employees are eligible to join HEPP and not the CSSP.

The most recent actuarial valuation of HEPP at December 31, 2002 indicated the Plan is fully funded. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $2,073,759 and are included in the Statement of Operations. The Civil Service Superannuation Plan is unfunded and requires no contributions by the Authority.

12. Deferred contributions

Deferred contributions represent capital funding received from Manitoba Health or donations received from other sources restricted for the purchase of depreciable capital assets and/or future expenses.

13. Invested in capital assets

	2004
Cash	**563,044**
Temporary investments	**42,430**
Long-term investments	**13,941,620**
Capital assets	**61,862,455**
Due to operating fund	**(13,295)**
Accounts payable	**(610,898)**
Long-term debt	**(5,996,365)**
Deferred contributions	**(66,450,653)**
	3,338,338

14. Financial instruments

The Parkland Regional Health Authority Inc.'s financial instruments consist of cash, accounts receivable, temporary investments, accounts payable, amounts due to (from) Manitoba Health and long-term debt. Unless otherwise noted, it is management's opinion that the Parkland Regional Health Authority Inc. is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Fair Value

The carrying amount of cash, accounts receivable, temporary investments, accounts payable, amounts due to (from) Manitoba Health and accrued liabilities approximates their fair value due to the short-term maturities of these items. The carrying amount of the organization's investments and loans approximates their fair value as the investments and loans have currently prevailing interest rates.

15. Economic dependence

The Parkland Regional Health Authority Inc. received 83% of its total revenue for the year ended March 31, 2004 from Manitoba Health.

16. Comparative amounts

Certain of the prior year's figures have been restated in order to conform with the presentation adopted for the current year.

17. Amalgamation

During the year, Parkland Regional Health Authority Inc. combined Swan Valley and District Ambulance on October 31, 2003 and Ste. Rose and District Ambulance on January 1, 2004 with their current operations. Assets were transferred at net book value.

18. Change in Accounting Policy

Effective April 1, 2003, Manitoba Health changed its funding methodology for future employee benefits. Employee retirement benefits are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as employees earn the benefits. Previously, these costs were charged to income and expense as amounts were paid.

At March 31, 2004, Manitoba Health has agreed to fund the existing liabilities and, therefore, the amounts previously recorded as deferred benefit entitlement are now classified as receivables. Due to the nature of the benefits, the employee retirement benefits receivable and payable are classified as long-term whereas the vacation benefits receivable and payable are classified as current.

MNP
MEYERS NORRIS PENNY LLP

AUDITORS' REPORT

To the Board of Directors of
Regional Health Authority – Central Manitoba Inc.

We have audited the consolidated statement of financial position of Regional Health Authority – Central Manitoba Inc. as at March 31, 2004 and the consolidated statements of operations, consolidated changes in net assets and consolidated cash flows for the year then ended. These consolidated financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Portage la Prairie, Manitoba
June 10, 2004

Chartered Accountants

an independent member of
BAKER TILLY
INTERNATIONAL

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Financial Position

March 31, 2004

	2004	2003
ASSETS		
CURRENT		
Cash and short term investments	$ 10,392,672	$ 8,997,703
Accounts receivable, net	1,433,458	984,366
Accounts receivable - Manitoba Health (Note 3)	1,040,261	741,175
Inventories	1,000,762	924,985
Prepaid expenses	487,412	179,952
Due from Manitoba Health - vacation entitlements	6,762,288	6,085,000
	21,116,853	17,913,181
NON-CURRENT		
Investments	-	2,000,000
Due from Manitoba Health - retirement entitlements	9,106,000	7,815,000
Capital assets (Note 4)	84,107,177	86,571,286
Other assets	150,340	140,061
	$ 114,480,370	$ 114,439,528
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	$ 8,440,739	$ 7,298,830
Accrued vacation entitlements	6,762,288	6,085,000
Current portion of long term debt (Note 5)	771,400	724,900
	15,974,427	14,108,730
NON-CURRENT		
Accrued retirement entitlements	9,106,000	7,815,000
Long term debt (Note 5)	11,275,230	11,204,963
	20,381,230	19,019,963
DEFERRED CONTRIBUTIONS (Note 6)		
Expenses of future periods	3,162,292	3,116,813
Capital assets	70,906,897	73,661,230
	74,069,189	76,778,043
NET ASSETS		
Invested in capital assets (Note 7)	1,209,525	1,061,951
Contract facilities (Note 8)	1,233,305	1,933,026
Internally restricted (Note 9)	277,531	377,392
Unrestricted	1,335,163	1,160,423
	4,055,524	4,532,792
COMMITMENTS AND CONTINGENCIES (Note 10)		
	$ 114,480,370	$ 114,439,528

APPROVED BY THE BOARD OF DIRECTORS

Director

Director

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Operations
Year Ended March 31, 2004

	2004	2003
REVENUE		
Manitoba Health (Note 11)	$ 119,540,771	$ 109,545,750
Other government departments	1,257,159	1,025,268
Non-global patient and resident income	10,951,177	10,799,220
Other income	4,423,318	3,848,134
Amortization of deferred contributions - operating	307,556	223,640
Amortization of deferred contributions - capital and foundations	4,971,014	5,109,746
Interest and donations	396,979	359,222
Ancillary operations (Schedule 1)	2,218,050	2,166,158
	144,066,024	133,077,138
EXPENSES		
Acute care services	48,013,132	44,908,167
Long term care services	39,418,457	36,570,935
Medical remuneration	10,086,678	8,800,094
Community based therapy services	1,382,935	1,338,092
Community based mental health services	6,971,498	6,305,737
Community based home care services	13,466,163	12,824,592
Community based health services	5,336,456	4,767,616
Land ambulance	4,029,593	3,221,746
Regional health authority undistributed	6,794,573	5,442,855
Interest on long term debt	438,849	461,577
Pre-retirement leave	799,380	575,354
Amortization of capital assets	4,751,960	4,728,536
Major repairs	305,014	550,133
Donations to foundations	54,104	12,000
Ancillary operations (Schedule 1)	2,040,035	1,980,593
	143,888,827	132,488,027
OPERATING EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	177,197	589,111
OTHER INCOME (EXPENSE)		
Amortization of deferred contributions - sale or transfer of capital assets	-	48,394
Sale or transfer of capital assets	5,385	(10,255)
	5,385	38,139
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 182,582	$ 627,250
ALLOCATION OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES		
Capital and donations to foundations	$ (134,679)	$ (142,784)
Interest and donations	396,979	359,222
Ancillary operations	178,015	185,565
Prior years' funding adjustments	(648)	20,516
Health care operations	(257,085)	204,731
TOTAL	$ 182,582	$ 627,250

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2004

	Invested in Capital Assets	Contract Facilities (Note 8)	Internally Restricted	Unrestricted	2004 Total	2003 Total
Balance, beginning of year	$ 1,061,951	$ 1,933,026	$ 377,392	$ 1,160,423	$ 4,532,792	$ 3,905,542
Excess (deficiency) of revenue over expenses	(236,076)	32,961	-	385,697	182,582	627,250
Repayment of non-Manitoba Health funded long term debt	144,813	-	-	(144,813)	-	-
Investment in capital assets	238,837	(72,832)	(99,861)	(66,144)	-	-
Assignment to Prairie View Lodge Foundation	-	(659,850)	-	-	(659,850)	-
Balance, end of year	$ 1,209,525	$ 1,233,305	$ 277,531	$ 1,335,163	$ 4,055,524	$ 4,532,792

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Cash Flows

Year Ended March 31, 2004

	2004	2003
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	$ 182,582	$ 627,250
Items not affecting cash		
Amortization of capital assets	4,887,959	4,863,451
Sale or transfer of capital assets	(5,385)	10,255
Amortization of deferred contributions related to expenses of future periods	(781,206)	(898,730)
Amortization of deferred contributions related to capital assets	(4,651,883)	(4,646,997)
Changes in non-cash operating working capital items	10,494	(674,605)
	(357,439)	(719,376)
FINANCING ACTIVITIES		
Increase in deferred contributions related to expenses of future periods	1,600,792	1,553,730
Increase in deferred contributions related to capital assets	1,123,443	1,163,374
Advances on long term debt	874,272	703,031
Principal payments on long term debt	(757,505)	(829,800)
Assignment of internally restricted net assets to Prairie View Lodge Foundation	(659,850)	-
	2,181,152	2,590,335
INVESTING ACTIVITIES		
Purchase of capital assets	(2,423,850)	(2,421,045)
Proceeds on sale of capital assets	5,385	38,139
Change in long term investments	2,000,000	-
Change in other assets	(10,279)	(10,403)
	(428,744)	(2,393,309)
INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	1,394,969	(522,350)
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	8,997,703	9,520,053
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$ 10,392,672	$ 8,997,703

1. NATURE OF BUSINESS

Regional Health Authority - Central Manitoba Inc. (the Authority) was incorporated under the laws of Manitoba on January 2, 1996. The Authority commenced activity on April 1, 1997. The Authority is principally involved in providing health care services to the central region of Manitoba. The Authority is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies for the Authority;

a) Basis of reporting

The Authority provides health care services through devolved and contract facilities. The contract facilities include Salem Home Inc., Tabor Home Inc., Eden Mental Health Centre, Rock Lake Health District and Prairie View Lodge Inc..

The health care services provided by the contract facilities are delivered under the control of the Authority as the majority funder. Accordingly, the financial position and results of operations of these related organizations are consolidated in the financial statements of the Authority. A financial summary of these contract facilities is provided in Schedules 2 and 3.

All significant inter-company and inter-divisional transactions have been eliminated. Transactions with non-controlled contract entities and certain non-devolved ambulance services have not been consolidated and the transactions are recorded as a purchased service.

b) Revenue recognition

The Authority follows the deferral method of accounting for contributions which include government grants and donations.

Under the Health Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2004.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

c) Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investments

Investments, both short term and long term, are carried at the lower of cost and market value. At March 31, 2004, cost approximates market value for these investments.

e) Inventories

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

f) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying value is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2%
Major equipment	10% - 20%

Construction in progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to capital assets.

g) Vacation pay

The Authority records the accrued vacation pay entitlement liability. Funding for the entitlement is recoverable as a component of salary cost funding for the subsequent year.

h) Retirement entitlement obligations

The Authority applies the accounting recommendations for employee future benefits contained in section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

3. ACCOUNTS RECEIVABLE - MANITOBA HEALTH

Accounts Receivable - Manitoba Health includes the following:

	2004	2003
Current year's operating funding		
Contract adjustments	$ 537,400	$ 1,167,492
Pharmacy bonus	95,900	48,978
Midwifery	-	57,200
	633,300	1,273,670
Out of globe amounts - 2003/2004	286,616	-
Out of globe amounts - 2002/2003	(46,166)	(695,721)
Approved capital projects	166,511	163,226
	$ 1,040,261	$ 741,175

3. ACCOUNTS RECEIVABLE - MANITOBA HEALTH (continued)

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. A additional costs in these five service categories must be absorbed from within the global funding provided by Manitoba Health.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statemen of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position a a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of finar. position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

4. CAPITAL ASSETS

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,536,041	$ -	$ 1,536,041	$ 1,536,041
Buildings	94,153,201	25,770,998	68,382,203	69,695,639
Major equipment	44,498,589	30,654,343	13,844,246	14,881,349
Construction in progress	344,687	-	344,687	458,257
	$ 140,532,518	$ 56,425,341	$ 84,107,177	$ 86,571,286

5. LONG TERM DEBT

	2004	2003
Debentures	$ 48,000	$ 151,800
Canada Mortgage and Housing Corporation mortgages	8,551,537	8,853,001
Bank loans	3,447,093	2,925,062
	12,046,630	11,929,863
Less: current portion	771,400	724 900
	$ 11,275,230	$ 11,204,963

5. LONG TERM DEBT (continued)

Debentures bear interest at 13.625% and mature November 15, 2004. The indenture documentation for the debentures outstanding assigns the subsidies provided by Manitoba Health for payment of the debenture.

Canada Mortgage and Housing Corporation mortgages bear interest between 5.125% and 10% and mature at various dates on or before July 1, 2028. The mortgages are secured by land and buildings.

Bank loans bear interest at floating rates based on the bank prime lending rates. The amounts are generally due on demand but have repayment terms as negotiated by the Authority. These amounts are secured by letters of comfort from Manitoba Health.

Estimated principal repayment requirements for the next five years are as follows:

2005	$ 771,400
2006	744,400
2007	764,700
2008	787,100
2009	836,600

6. DEFERRED CONTRIBUTIONS

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted donations and grants received for future expenditures including capital assets. Amortization is recorded as revenue in the statement of operations and matched with expenditures incurred with these funds.

	2004	2003
Balance, beginning of year	$ 3,116,813	$ 3,266,638
Additional contributions received	1,600,792	1,553,730
Amount transferred to capital assets	(774,107)	(804,825)
Less amounts amortized to revenue	(781,206)	(898,730)
	$ 3,162,292	$ 3,116,813

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2004	2003
Balance, beginning of year	$ 73,661,230	$ 76,340,028
Additional contributions received	1,123,443	1,163,374
Amount transferred from expenses of future periods	774,107	804,825
Less amounts amortized to revenue	(4,651,883)	(4,646,997)
	$ 70,906,897	$ 73,661,230

7. NET ASSETS - INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2004	2003
Capital assets	$ 84,107,177	$ 86,571,286
Amounts financed by:		
Deferred contributions	(70,906,897)	(73,661,230)
Long term debt	(12,046,630)	(11,929,863)
Working capital	55,875	81,758
	$ 1,209,525	$ 1,061,951

b) Change in net assets invested in capital assets is calculated as follows:

	2004	2003
Excess (deficiency) of revenues over expenses		
Amortization of deferred contributions related to capital assets	$ 4,651,883	$ 4,646,997
Amortization of capital assets	(4,887,959)	(4,863,451)
Sale or transfer of capital assets	5,385	(10,255)
Proceeds on sale of capital assets	(5,385)	(38,139)
	(236,076)	(264,848)
Repayment of non-Manitoba Health funded long term debt	144,813	136,201
Investment in capital assets		
Purchase of capital assets	2,423,850	2,421,045
Principal payments on Manitoba Health funded long term debt	612,692	693,599
Amounts funded by deferred contributions	(1,897,550)	(1,968,199)
Advances on long term debt	(874,272)	(703,031)
Amounts funded with working capital	(25,883)	(45,261)
	238,837	398,153
	$ 147,574	$ 269,506

8. NET ASSETS - CONTRACT FACILITIES

Contract facilities - net assets represent the net assets, other than invested in capital assets, of the contract facilities that have been consolidated in the financial statements of the Authority.

The amounts are as follows:

	2004	2003
Internally restricted	$ 126,235	$ 793,332
Externally restricted	12,136	12,136
Unrestricted	1,094,934	1,127,558
	$ 1,233,305	$ 1,933,026

9. NET ASSETS - INTERNALLY RESTRICTED

The board of directors has restricted $277,531 (2003 - $377,392) in net assets to be used for the purchase of specified capital assets.

10. COMMITMENTS AND CONTINGENCIES

a) The Authority is subject to individual legal actions arising in the normal course of business. The effect of any contingent claims relating to these legal actions is not determinable at the date of the audit report.

b) The Healthcare Insurance Reciprocal of Canada ("HIROC") is an organization that pools the public liability insurance risks of all its members. The Authority may be subject to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No reassessments have been made to March 31, 2004.

11. MANITOBA HEALTH REVENUE

Manitoba Health revenue includes the following:

	2004	2003
Revenue as per final approved budget	$ 121,891,450	$ 112,260,696
Minister of Finance loan interest	(2,149,804)	(2,275,020)
Minister of Finance loan principal	(2,117,647)	(2,117,647)
Amounts recorded as deferred contributions	(1,335,099)	(1,287,086)
	116,288,900	106,580,943
Current year's estimated out of globe amounts	292,207	(714,230)
Vacation bank change	677,288	(154,821)
One time funding - medical remuneration	412,502	124,106
One time funding - midwifery	240,094	54,282
One time funding - contract settlements	1,190,177	1,552,654
One time funding - primary health care transition funds	287,901	-
One time funding - community health assessment	151,054	-
One time funding - special	-	2,000,000
One time funding - mental health	-	82,300
Prior years' funding adjustments	648	20,516
	$ 119,540,771	$ 109,545,750

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of short-term financial assets and liabilities are reasonable estimates of their fair values because of the short maturity of those instruments. Short term financial assets are comprised of cash, short term investments and accounts receivable. Short term financial liabilities are comprised of accounts payable and accrued liabilities.

13. ECONOMIC DEPENDENCE

The Authority receives in excess of 80% of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for its continued operations.

14. ACCOUNTING TREATMENT FOR FOUNDATIONS

The Authority has not disclosed the inter-relationships nor the degree of economic dependence with its Foundations because none of the large number of organizations that make up this group are controlled by the Authority and the organizations are individually immaterial to the Authority as a whole.

15. RETIREMENT ENTITLEMENT OBLIGATIONS

a) Accrued Retirement Entitlement

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for all employees, is to pay out four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

i) have ten years service and have reached age 55 or
ii) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee or
iii) retire at of after age 65 or
iv) terminate employment at any time due to permanent disability

The Authority undertook an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.5% and a rate of salary increase of 4.0% plus age related merit / promotion scale with no provision for disability.

Funding for the retirement obligation is recoverable from Manitoba Health on an out of globe basis in the year of payment.

b) Pension Plan

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2003, indicates that the plan has a contribution deficiency. A requested contribution rate increase has been refused and other options, such as benefit reductions, are being assessed to address the deficiency. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $3,355,000 (2003 - $3,189,000) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

16. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been restated to conform with current year's presentation.

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Statement of Operations - Ancillary Operations

Year Ended March 31, 2004

Schedule 1

	Elderly Person's Housing	Handivan	Retail Pharmacy	LPN Training Program	Contract Facilities	2004	2003
REVENUE							
Outside sources	$ 914,643	$ 55,738	$ 822,196	$ 157,663	$ 113,291	$ 2,063,531	$ 2,002,211
Amortization of deferred contributions	50,469	26,040	-	73,673	4,337	154,519	163,947
	965,112	81,778	822,196	231,336	117,628	2,218,050	2,166,158
EXPENSES							
Operating	496,889	36,540	654,437	258,337	95,674	1,541,877	1,408,596
Amortization of capital assets	105,622	26,040	-	-	4,337	135,999	134,916
Interest on long term debt	242,098	-	-	-	9,801	251,899	261,706
Major repairs	101,260	-	-	-	9,000	110,260	175,375
	945,869	62,580	654,437	258,337	118,812	2,040,035	1,980,593
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 19,243	$ 19,198	$ 167,759	$ (27,001)	$ (1,184)	$ 178,015	$ 185,565

Schedule 2

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Statement of Financial Position - Segmented

March 31, 2004

	Devolved	Contract	2004	2003
ASSETS				
CURRENT				
Cash and short term investments	$ 8,271,018	$ 2,121,654	$ 10,392,672	$ 8,997,703
Accounts receivable, net	1,286,797	146,661	1,433,458	984,366
Accounts receivable - Manitoba Health	994,305	45,956	1,040,261	741,175
Inventories	879,311	121,451	1,000,762	924,985
Prepaid expenses	443,078	44,334	487,412	179,952
Due from Manitoba Health - vacation entitlements	5,804,688	957,600	6,762,288	6,085,000
	17,679,197	3,437,656	21,116,853	17,913,181
NON-CURRENT				
Investments	-	-	-	2,000,000
Due from Manitoba Health - retirement entitlements	7,845,000	1,261,000	9,106,000	7,815,000
Capital assets	73,865,220	10,241,957	84,107,177	86,571,286
Other assets	-	150,340	150,340	140,061
	$ 99,389,417	$ 15,090,953	$ 114,480,370	$ 114,439,528
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities	$ 7,396,787	$ 1,043,952	$ 8,440,739	$ 7,298,830
Accrued vacation entitlements	5,804,688	957,600	6,762,288	6,085,000
Current portion of long term debt	714,100	57,300	771,400	724,900
	13,915,575	2,058,852	15,974,427	14,108,730
NON-CURRENT				
Accrued retirement entitlements	7,845,000	1,261,000	9,106,000	7,815,000
Long term debt	10,092,451	1,182,779	11,275,230	11,204,963
	17,937,451	2,443,779	20,381,230	19,019,963
DEFERRED CONTRIBUTIONS				
Expenses of future periods	2,784,216	378,076	3,162,292	3,116,813
Capital assets	62,278,168	8,628,729	70,906,897	73,661,230
	65,062,384	9,006,805	74,069,189	76,778,043
NET ASSETS				
Invested in capital assets	861,313	348,212	1,209,525	1,061,951
Contract facilities	-	1,233,305	1,233,305	1,933,026
Internally restricted	277,531	-	277,531	377,392
Unrestricted	1,335,163	-	1,335,163	1,160,423
	2,474,007	1,581,517	4,055,524	4,532,792
	$ 99,389,417	$ 15,090,953	$ 114,480,370	$ 114,439,528

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Schedule 3

Statement of Operations - Segmented

Year Ended March 31, 2004

	Devolved	Contract	2004	2003
REVENUE				
Manitoba Health	$ 102,997,893	$ 16,542,878	$ 119,540,771	$ 109,545,750
Other government departments	1,257,159	-	1,257,159	1,025,268
Non-global patient and resident income	7,753,275	3,197,902	10,951,177	10,799,220
Other income	3,560,265	863,053	4,423,318	3,848,134
Amortization of deferred contributions - operating	267,553	40,003	307,556	223,840
Amortization of deferred contributions - capital and foundations	4,406,822	564,192	4,971,014	5,109,746
Interest and donations	357,889	39,090	396,979	359,222
Ancillary operations	2,100,422	117,628	2,218,050	2,166,158
	122,701,278	21,364,746	144,066,024	133,077,138
EXPENSES				
Acute care services	46,746,818	1,266,314	48,013,132	44,908,167
Long term care services	26,436,186	12,982,271	39,418,457	36,570,935
Medical remuneration	8,372,417	1,714,261	10,086,678	8,800,094
Community based therapy services	1,382,935	-	1,382,935	1,338,092
Community based mental health services	2,624,493	4,347,005	6,971,498	6,305,737
Community based home care services	13,466,163	-	13,466,163	12,824,592
Community based health services	5,195,747	140,709	5,336,456	4,767,616
Land ambulance	4,029,593	-	4,029,593	3,221,746
Regional health authority undistributed	6,794,573	-	6,794,573	5,442,855
Interest on long term debt	377,792	61,057	438,849	461,577
Pre-retirement leave	662,217	137,163	799,380	575,354
Amortization of capital assets	4,237,377	514,583	4,751,960	4,728,536
Major repairs	249,223	55,791	305,014	550,133
Donations to foundations	32,104	22,000	54,104	12,000
Ancillary operations	1,921,223	118,812	2,040,035	1,980,593
	122,528,861	21,359,966	143,888,827	132,488,027
OPERATING EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	172,417	4,780	177,197	589,111
OTHER INCOME (EXPENSE)				
Amortization of deferred contributions - sale or transfer of capital assets	-	-	-	48,394
Sale or transfer of capital assets	5,385	-	5,385	(10,255)
	5,385	-	5,385	38,139
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 177,802	$ 4,780	$ 182,582	$ 627,250
ALLOCATION OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES				
Capital and donations to foundations	$ (106,497)	$ (28,182)	$ (134,679)	$ (142,784)
Interest and donations	357,889	39,090	396,979	359,222
Ancillary operations	179,199	(1,184)	178,015	185,565
Prior years' funding adjustments	(1,606)	958	(648)	20,516
Health care operations	(251,183)	(5,902)	(257,085)	204,731
TOTAL	$ 177,802	$ 4,780	$ 182,582	$ 627,250

BDO

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Auditors' Report

To the Board of Directors of
SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.:

We have audited the consolidated statement of financial position of **SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.** as at March 31, 2004 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting policies.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 28, 2004

BDO Dunwoody LLP ***is a Limited Liability Partnership registered in Ontario***

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Financial Position

March 31			2004	2003
	Regional Health Authority	**Contract Facilities**	**Consolidated**	Consolidated
Assets				
Current Assets				
Cash	**$ 791,037**	**$ 174,074**	**$ 965,111**	$ 171,214
Accounts receivable (Note 1)	**991,911**	**265,196**	**1,257,107**	1,273,301
Due from Manitoba Health (Note 2)	-	-	-	181,622
Inventories	**618,686**	**69,511**	**688,197**	687,491
Prepaid expense	**133,107**	**9,798**	**142,905**	81,820
Vacation entitlements receivable	**2,165,279**	**488,270**	**2,653,549**	2,092,216
	4,700,020	**1,006,849**	**5,706,869**	4,487,664
Retirement obligations receivable (Note 12)	**1,898,575**	**458,577**	**2,357,152**	2,214,384
Restricted assets (Note 3)	**412,867**	-	**412,867**	310,095
Capital assets (Note 4)	**37,855,984**	**12,182,818**	**50,038,802**	49,145,159
	$44,867,446	**$13,648,244**	**$58,515,690**	$56,157,302

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Financial Position

March 31	2004			2003
Liabilities and Net Assets	**Regional Health Authority**	**Contract Facilities**	**Consolidated**	**Consolidated**
Current Liabilities				
Accounts payable and accrued liabilities	$ 2,467,199	$ 408,876	$ 2,876,075	$ 1,498,968
Accrued vacation entitlements	2,165,279	488,270	2,653,549	2,092,216
Current portion of long-term debt (Note 6)	196,293	292,130	488,423	5,031,628
Due to Manitoba Health (Note 2)	164,104	(47,230)	116,874	-
Unearned revenue	364,616	-	364,616	483,497
	5,357,491	1,142,046	6,499,537	9,106,309
Accrued retirement obligations (Note 12)	1,898,575	458,577	2,357,152	2,214,384
Long-term debt (Note 6)	3,753,357	3,837,300	7,590,657	2,008,400
Deferred Contributions (Note 7)				
Expenses of future periods	1,239,426	162,012	1,401,438	1,311,946
Capital assets	32,107,710	7,836,976	39,944,686	40,851,836
	33,347,136	7,998,988	41,346,124	42,163,782
Commitments and contingencies (Note 10)				
Net Assets				
Investment in capital assets	1,798,623	216,413	2,015,036	1,253,295
Externally restricted - Contract Facilities	-	(5,080)	(5,080)	(536,525)
Externally restricted (Note 3)	412,867	-	412,867	310,095
Unrestricted	(1,700,603)	-	(1,700,603)	(362,438)
	510,887	211,333	722,220	664,427
	$44,867,446	$13,648,244	$58,515,690	$56,157,302

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Operations

For the year ended March 31			2004	2003
	Regional Health Authority	Contract Facilities	Consolidated	Consolidated
Revenue				
Province of Manitoba				
Health (Note 9)	**$41,305,242**	**$ 6,453,362**	**$47,758,604**	$44,634,096
Other	**578,449**	**-**	**578,449**	755,030
Government of Canada	**413,492**	**81,925**	**495,417**	317,953
Non-insured income	**1,884,220**	**1,889,689**	**3,773,909**	3,642,346
Other income and recovered services	**197,647**	**4,073**	**201,720**	289,054
Ambulance income	**463,099**	**-**	**463,099**	407,172
Amortization of deferred contributions	**1,830,763**	**428,953**	**2,259,716**	1,655,511
	46,672,912	**8,858,002**	**55,530,914**	51,701,162
Expenditures				
Acute care services	**15,234,690**	**-**	**15,234,690**	13,323,465
Long-term care services	**6,579,992**	**8,345,713**	**14,925,705**	14,464,003
Community based home care services	**9,460,723**	**-**	**9,460,723**	8,418,793
Community based health services	**3,754,691**	**-**	**3,754,691**	2,843,898
Medical remuneration	**3,252,187**	**-**	**3,252,187**	2,861,682
Diagnostic services	**2,529,880**	**-**	**2,529,880**	2,080,723
Amortization of capital assets	**1,830,763**	**428,953**	**2,259,716**	1,655,511
Community based mental health services	**1,446,226**	**-**	**1,446,226**	1,293,832
Land ambulance	**1,354,339**	**-**	**1,354,339**	1,003,029
Regional Health Authority costs	**1,015,423**	**-**	**1,015,423**	843,474
Interest on long-term debt	**142,139**	**195,132**	**337,271**	1,296,435
Proprietary home funding	**-**	**-**	**-**	1,276,929
	46,601,053	**8,969,798**	**55,570,851**	51,361,774
Excess (deficiency) of revenue over expenditures before other item	**71,859**	**(111,796)**	**(39,937)**	339,388
Other Item				
Manitoba Health				
Prior year settlements	**(5,042)**	**-**	**(5,042)**	1,303,289
Excess (deficiency) of revenue over expenditures for the year	**$ 66,817**	**$ (111,796)**	**$ (44,979)**	$ 1,642,677

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Changes in Net Assets

For the year ended March 31	Investment in Capital Assets (Note 8)	Externally Restricted - Contract Facilities	Externally Restricted (Note 3)	Unrestricted	2004 Total	2003 Total
Balance, beginning of year	$ 1,253,295	$ (536,525)	$ 310,095	$ (362,438)	$ 664,427	$ (807,100)
Transfers to deferred contributions	-	-	-	-	-	(121,784)
Expenditures during year	-	-	(159,865)	-	(159,865)	(49,366)
Donations	-	-	262,637	-	262,637	-
Transfers	-	277,445	-	(277,445)	-	-
Excess (deficiency) of revenue over expenditures for the year	-	(111,796)	-	66,817	(44,979)	1,642,677
Net changes in investment in capital assets (Note 8)	761,741	365,796	-	(1,127,537)	-	-
Balance, end of year	$ 2,015,036	$ (5,080)	$ 412,867	$ (1,700,603)	$ 722,220	$ 664,427

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Cash Flows

For the year ended March 31	2004	2003
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ (44,979)	$ 1,642,677
Adjustments for		
Amortization of capital assets	2,259,716	1,655,511
Amortization of deferred contributions related to capital assets	(2,259,716)	(1,655,511)
	(44,979)	1,642,677
Changes in non-cash working capital		
Accounts receivable	16,194	(110,944)
Manitoba Health receivable	298,496	121,697
Inventories	(706)	(59,243)
Prepaid expense	(61,085)	(12,389)
Vacation entitlements receivable	(561,333)	(312,926)
Retirement obligations receivable	(142,768)	38,481
Accounts payable and accrued liabilities	1,377,107	(1,822,025)
Accrued vacation entitlements	561,333	312,926
Unearned revenue	(118,881)	110,777
Accrued retirement obligations	142,768	(38,481)
	1,511,125	(1,772,127)
	1,466,146	(129,450)
Cash Flows from Investing Activities		
Decrease (increase) in restricted assets	(102,772)	170,330
Purchase of capital assets (net)	(3,153,359)	(5,673,361)
Restricted assets (net)	102,772	(49,366)
	(3,153,359)	(5,552,397)
Cash Flows from Financing Activities		
Advances of long-term debt	1,410,668	3,856,716
Repayment of long-term debt	(371,616)	(23,558,362)
Increase in deferred contributions related to expenses of future periods (net)	89,492	32,674
Receipt of deferred contributions related to capital assets	1,352,566	24,769,873
Net transfers	-	(121,784)
	2,481,110	4,979,117
Net increase (decrease) in cash	793,897	(702,730)
Cash, beginning of year	171,214	873,944
Cash, end of year	$ 965,111	$ 171,214
Supplementary Information		
Interest paid	$ 337,698	$ 1,297,275

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Summary of Significant Accounting Policies

March 31, 2004

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting policies.

Entity Definition and Basis of Financial Statements

South Eastman Health/Santé Sud-Est Inc. was incorporated under the laws of the Province of Manitoba on January 2, 1996. The Authority commenced providing health care services on April 1, 1997 in the southeastern region of Manitoba. The Authority is a registered charity under The Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of The Income Tax Act are met.

Under the Regional Health Authorities and Consequential Amendments Act, the Authority entered into negotiations with all health care facilities in the region to either transfer those facilities' operations, property, liabilities and obligations to the Authority or to operate as a contract facility funded by the Authority. These negotiations have been completed. Obligations under these agreements are detailed further in Note 3.

Three facilities within the region operate under contract arrangements for funding with the Authority. They are Rest Haven Nursing Home, Menno Home for the Aged and Villa Youville Inc. - Nursing. The operations of these facilities have been consolidated in these financial statements as the Authority exercises significant influence over them by virtue of acting as funding agent. Any non-Manitoba Health funded activities of these facilities (i.e. apartments, seniors' housing) have been excluded from these financial statements.

Revenue Recognition

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with Manitoba Health with respect to the year ended March 31, 2004.

With respect to actual operating results, certain adjustments to funding will be made by Manitoba Health after completion of their review of the Authority's accounts.

Revenue Recognition (continued)

In Globe Funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe Funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such times as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding is funding approved by Manitoba Health for specific programs.

Any operating surpluses related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficits related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid to Manitoba Health are absorbed by the Authority.

Any adjustments will be reflected in the year the final statement of recommended costs is received from Manitoba Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue Recognition (continued)

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined by the first-in, first-out method.

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2% to 2.5%
Major equipment	10% to 20%

Use of Estimates

In preparing the Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

Financial Instruments

The Authority's financial instruments consist of cash, accounts receivable, accounts payable, amounts due from (to) Manitoba Health and long-term debt. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Notes to Consolidated Financial Statements

March 31, 2004

1. Accounts Receivable

	2004	2003
Receivables from patients	$ 234,016	$ 115,417
Residents	71,721	106,961
Goods and services tax	331,102	431,039
Province of Manitoba - Midwifery	-	73,642
- Baby First	-	59,500
Government of Canada - Healthy Women Healthy Child	-	100,000
- Understanding the Early Years	-	60,102
Due from related parties - Contract facilities	39,279	109,017
RBC pending lease	295,374	-
The Bethesda Foundation Inc.	86,752	42,338
Other	198,863	175,285
	$ 1,257,107	$ 1,273,301

2. Due from (to) Manitoba Health

	2004	2003
Special equipment funding	$ 25,094	$ -
ICD10	37,460	-
In Globe - Immunization funding	82,271	89,588
In Globe - MGEU Collective Agreement	-	393,502
In Globe - CUPE Collective Agreement	-	38,880
Community health assessment	82,975	-
Out of Globe - MAHCP Collective Agreement	262,000	-
Out of Globe - Residential charges/authorized charges	(305,610)	(195,451)
Out of Globe - Capital funding 2002/03	(3,460)	(3,460)
Out of Globe - Capital funding 2003/04	(107,881)	-
Out of Globe - Medical remuneration 2002/03	(247,248)	(247,248)
Out of Globe - Medical remuneration 2003/04	(63,114)	-
Out of Globe - Pre-retirement leave	120,660	105,811
Other	(21)	-
	$ (116,874)	$ 181,622

3. Restricted Assets

The Authority entered and completed negotiations with the health facilities in the region to have their obligations, property, and liabilities transferred to it. The Authority agreed to use prior operating surpluses to promote health within the specific districts. These operating surpluses were as follows:

	De Salaberry District Health Centre	Vita and District Health Centre	Ste. Anne Hospital	Bequests	Total
Balance, beginning of year	$ 153,022	$ 143,606	$ 13,467	$ -	$ 310,095
Donation received	-	-	-	262,637	262,637
2003/2004 expenditures	(20,000)	-	-	(139,865)	(159,865)
Balance, end of year	$ 133,022	$ 143,606	$ 13,467	$ 122,772	$ 412,867

The Authority also agreed to use current ambulance surpluses and assets for improving emergency medical services in accordance with the terms of the agreements.

In addition, the Authority has received a restricted bequest which will be used for long term care at Bethesda Place.

4. Capital Assets

	2004		2003	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 693,088	$ -	$ 693,088	$ -
Buildings	50,452,287	10,663,864	32,443,687	10,578,561
Major equipment	18,027,917	10,797,642	18,317,748	8,621,240
Construction in progress	2,327,016	-	16,890,437	-
	$ 71,500,308	$ 21,461,506	$ 68,344,960	$ 19,199,801
Cost less accumulated amortization		$ 50,038,802		$ 49,145,159

5. Bank Indebtedness

The Authority has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $2,100,000. The line of credit bears interest at Royal Bank prime less 0.80% and is secured by an authorization letter from Manitoba Health and assignment of fire insurance covering property of every description.

In addition, the non-devolved facilities have approved operating lines of credit with various financial institutions for an aggregate of $295,000. The lines of credit bear interest at prime to prime plus 1% and are secured by authorization letters from Manitoba Health and general security agreements.

6. Long-term Debt

	2004	2003
Mortgages payable	$ 3,522,986	$ 3,674,520
Bank loans payable	4,556,094	3,365,508
	8,079,080	7,040,028
Current portion of long-term debt	488,423	5,031,628
	$ 7,590,657	$ 2,008,400

The mortgages bear interest between 4.53% and 10.50%, mature on various dates on or before January, 2027 and require monthly payments of principal and interest of $21,880.

The bank loans payable bear interest between prime less 0.80% and prime less 0.50% and require monthly payments of principal and interest of $34,164.

The mortgages payable are secured by Letters of Comfort from Manitoba Health. The demand loan payable and mortgages are also secured by land and buildings.

Principal payments due in the next five years are as follows:

2005	$ 488,423
2006	453,553
2007	469,875
2008	487,021
2009	503,061

7. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs and construction projects.

	2004	2003
Balance, beginning of year	$ 1,311,946	$ 1,279,272
Additional amount received during year	162,900	92,150
Transfers to deferred contributions - capital assets	(73,408)	(59,476)
Balance, end of year	$ 1,401,438	$ 1,311,946

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowing.

	2004	2003
Balance, beginning of year	$ 40,851,836	$ 17,737,474
Additional contributions received	1,352,566	24,769,873
Less amounts amortized to revenue	(2,259,716)	(1,655,511)
Balance, end of year	$ 39,944,686	$ 40,851,836

8. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2004	2003
Capital assets	**$ 50,038,802**	$ 49,145,159
Amounts financed by		
Deferred contributions	**39,944,686**	40,851,836
Loan and mortgage payable	**8,079,080**	7,040,028
	$ 2,015,036	$ 1,253,295

b) Change in net assets invested in capital assets is calculated as follows:

	2004	2003
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	**$ 2,259,716**	$ 1,655,511
Amortization of capital assets	**(2,259,716)**	(1,655,511)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets (net)	**$ 3,153,359**	$ 5,673,361
Amounts funded by		
Manitoba Health funding	**(584,225)**	(608,361)
Advances on long-term debt	**(1,410,668)**	(3,856,716)
Donations	**(323,317)**	(421,890)
Transfers		
Restricted assets	**-**	(120,964)
Contract facilities	**-**	(820)
Deferred contributions - expenses of future periods (net)	**(73,408)**	(59,476)
Repayment of debentures, loans and mortgages	**371,616**	23,558,362
Manitoba Health debt service funding	**(371,616)**	(23,558,362)
	$ 761,741	$ 605,134

9. Revenue from Manitoba Health

		2004
Revenue from Manitoba Health		
Revenue as per Manitoba Health's final funding document		$ 48,843,963
Less:	Manitoba Department of Finance reallocations	1,427,027
		47,416,936
Add:	Immunization receivable	82,271
	Community Health Assessment receivable	82,975
	Vacation pay receivable increase	561,333
	Pre-retirement leave	120,660
	MAHCP receivable	262,000
	Other in year adjustments - one-time funding	1,067,974
Deduct:	Residential charges	(329,919)
	Capital interest surplus	(672,267)
Total Funding Approved by Manitoba Health		48,591,963
Deduct:	Amounts recorded as deferred contributions	
	- expenses of future periods	(24,155)
	- capital assets	(809,204)
Revenue from Manitoba Health		$ 47,758,604

10. Commitments and Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2004, management believes the Authority has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2004.

The Authority's coverage also includes contract facilities as named insured parties.

c) At March 31, 2004, minimum annual lease payments under operating leases for premises expiring 2012 are $42,800.

d) The Authority has entered into operating leases with The Royal Bank of Canada for equipment. The Authority has approved lease financing available through Royal Bank Leasing Inc. to a maximum of $500,000 with $26,610 unutilized at March 31, 2004. The equipment is leased at a monthly cost of $8,813, under leases expiring on or before April 2009. The minimum annual lease payments for the next five years are as follows:

2005	$ 105,755
2006	105,755
2007	105,755
2008	91,365
2009	64,758

11. Pension Plan

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (a successor of the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last eleven years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5.0% of salary and 6.6% of salary over $40,500 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee's contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2002 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $1,269,110 (2003 - $909,791) and are included in the statement of operations.

The remainder of employees are members of the Province of Manitoba's defined benefit Civil Service Superannuation Plan. Liability for variances between actuarial funding estimates and actual experience lies with the Province.

12. Accrued Retirement Obligations

	Devolved Entities		Non-Devolved Entities		Total	
	2004	2003	**2004**	2003	**2004**	2003
Members of the Health Employees Pension Plan	**$1,564,175**	$1,534,926	**$ 458,577**	$ 383,158	**$2,022,752**	$1,918,084
Members of the Civil Service Superannuation Plan	**334,400**	296,300	**-**	-	**334,400**	296,300
	$1,898,575	$1,831,226	**$ 458,577**	$ 383,158	**$2,357,152**	$2,214,384

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten years service and have reached the age of 55 or;
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or;
- retire at or after age 65 or;
- terminate employment at any time due to permanent disability

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service.
- 2 weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service.

13. Adjustment to Deferred Contributions and Long-term Debt

In March, 2003 the Authority received a contribution of $22,000,000 from the Province of Manitoba to facilitate repayment of borrowings from Chartered Banks. Subsequently Manitoba Health has provided the Authority with funding to repay this contribution at a rate of $118,919 per month plus interest.

In the current year, the Authority has changed its method of accounting for this contribution from presenting it as a note payable within long-term debt to presenting it as a deferred contribution related to capital assets. Any related interest expense and funding thereof has also been removed. These changes are consistent with a change in the treatment of these contributions by the Province of Manitoba and are supported by section 3050 of the Public Sector Accounting Handbook and section 4410 of the CICA Handbook. These changes have been applied retroactively with restatement of the comparative figures for the year ended March 31, 2003. The effect of the change as at March 31, 2003 was to decrease long-term debt by $22,000,000 and increase deferred contributions by a corresponding amount.

14. Change in Accounting Policy

Effective April 1, 2003, Manitoba Health changed its funding methodology for future employee benefits. Vacation benefits are accrued as employees earn the benefits. Previously, these costs were charged to income and expense as amounts were paid.

At March 31, 2004, Manitoba Health has agreed to fund the existing liabilities and therefore the amounts previously recorded as deferred benefit costs are now classified as receivables.

The effect of the change for the year ended March 31, 2003 in the consolidated statement of operations is to increase revenue from Manitoba Health by $312,512 and to increase employee vacation benefits expense by $312,512.

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management and have been approved by the Authority. The financial statements were prepared in accordance with Canadian generally accepted accounting principles and of necessity include some amounts that are based on estimates and judgements.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

Deloitte & Touche LLP provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures, which allow them to report on the fairness of the financial statements prepared by management.

BPostl

Dr. Brian D. Postl
President and Chief Executive Officer

PA Kochan

Paul A. Kochan, FCA
Vice President Finance and Corporate
Services and Chief Financial Officer

AUDITORS' REPORT

To the Directors of
Winnipeg Regional Health Authority

The accompanying summarized statement of financial position and statement of operations are derived from the complete financial statements of the Winnipeg Regional Health Authority as at March 31, 2004 and for the year then ended on which we expressed an opinion without reservation in our report dated June 22, 2004. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the entity's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.

Deloitte & Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
June 22, 2004

WINNIPEG REGIONAL HEALTH AUTHORITY
Statement of Financial Position
As at March 31, 2004
(in thousands of dollars)

	2004	2003
ASSETS		(Restated - Note 19)
CURRENT		
Cash and marketable securities	$ 69,544	$ 73,425
Accounts receivable (Note 3)	39,382	54,303
Inventory	7,087	7,064
Prepaid expenses	2,419	2,548
Sinking fund reserve (Note 6)	47,340	-
Employee benefits recoverable from Manitoba Health	78,709	68,134
	244,481	205,474
CAPITAL ASSETS, net (Note 4)	338,238	292,313
OTHER ASSETS		
Future employee benefits recoverable from Manitoba Health	82,302	68,214
Cash held in trust for debt service by Manitoba Health	4,300	4,300
Sinking fund reserve (Note 6)	9,976	51,333
Specific purpose funds (Note 7)	32,910	31,461
Nurse recruitment and retention fund (Note 9)	4,921	7,106
	$ 717,128	$ 660,201
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	$ 89,564	$ 89,814
Employee benefits payable	78,763	68,779
Current portion of long term debt (Note 6)	53,869	5,495
	222,196	164,088
LONG TERM DEBT AND DEFERRED CONTRIBUTIONS		
Long term debt (Note 6)	60,928	121,632
Future employee benefits payable	82,515	68,388
Specific purpose funds (Note 7)	32,910	31,461
Deferred contributions (Note 8)	289,445	247,653
Nurse recruitment and retention fund (Note 9)	4,921	7,106
	692,915	640,328
NET ASSETS	24,213	19,873
COMMITMENTS AND CONTINGENCIES (Note 12)		
	$ 717,128	$ 660,201

WINNIPEG REGIONAL HEALTH AUTHORITY

Statement of Operations

For the year ended March 31, 2004
(in thousands of dollars)

	2004	2003 (Restated - Note 19)
REVENUE		
Manitoba Health operating income	$ 1,435,483	$ 1,301,481
Other income (Schedule 1)	47,883	41,568
Amortization of deferred contributions		
Capital assets	21,884	19,024
Future expenses	8,799	4,265
	1,514,049	1,366,338
EXPENSES		
Direct operations	726,268	637,505
Amortization of capital assets	22,111	19,095
Interest	9,936	10,375
Increase in future employee benefits	16,566	20,326
	774,881	687,301
FACILITY FUNDING		
Acute care facility funding (Schedule 2)	499,279	472,194
Long term care facility funding (Schedule 3)	199,253	166,013
Community health agency funding (Schedule 4)	20,731	21,366
Adult day care facility funding (Schedule 5)	2,354	2,345
Long term care community therapy services	698	863
GRANT FUNDED		
Grants to facilities and agencies (Schedule 6)	15,606	16,210
	1,512,802	1,366,292
OPERATING SURPLUS	1,247	46
Add		
Non-insured services net surplus	3,093	2,196
NET SURPLUS	$ 4,340	$ 2,242

WINNIPEG REGIONAL HEALTH AUTHORITY

Statement of Changes in Net Assets

For the year ended March 31, 2004

(In thousands of dollars)

	2004				2003
	Investment in Capital Assets (Note 10)	Unrestricted	Internally Restricted (Physician Recruitment)	Total	Restated (Note 19)
Balance, beginning of year	$ 22,989	$ (4,263)	$ 1,147	$ 19,873	$ 17,770
Prior period adjustment:					
Invested in capital assets (Note 19)	(10,649)	10,649	-	-	-
Labour relations secretariat (Note 19)	-	-	-	-	(139)
Adjusted balance, beginning of year	12,340	6,386	1,147	19,873	17,631
Excess (Deficit) of revenue over expenses	(2,025)	6,936	(571)	4,340	2,242
Purchases of capital assets	5,319	(5,319)	-	-	-
Balance, end of year	$ 15,634	$ 8,003	$ 576	$ 24,213	$ 19,873

WINNIPEG REGIONAL HEALTH AUTHORITY
Statement of Cash Flows
For the year ended March 31, 2004
(in thousands of dollars)

	2004	2003 (Restated - Note 19)
OPERATING ACTIVITIES		
Net surplus/deficit	$ 4,340	$ 2,242
Items not affecting cash		
Amortization of capital assets	25,833	23,225
Amortization of deferred contributions related to capital assets	(23,808)	(21,635)
Recognition of deferred contributions related to future expenses	(8,799)	(4,265)
Net change in future employee benefits	(552)	-
Amortization of debenture issue costs	4	207
	(2,982)	(226)
Changes in non-cash operating working capital items	$14,773	(1,192)
Deferred contributions received - future expenses	6,410	11,954
	18,201	10,536
FINANCING ACTIVITIES		
Net change in sinking fund reserve	(5,983)	(2,958)
Deferred contributions received - capital assets	67,989	38,273
New long term debt	-	7,177
Long term debt repayments	(12,330)	(12,657)
	49,676	29,835
INVESTING ACTIVITIES		
Acquisition of capital assets	(71,758)	(32,387)
	(71,758)	(32,387)
INCREASE	(3,881)	7,984
CASH AND MARKETABLE SECURITIES, BEGINNING OF YEAR	73,425	65,441
CASH AND MARKETABLE SECURITIES, END OF YEAR	$ 69,544	$ 73,425
Comprised of:		
Cash	$ 23,272	$ 29,370
Marketable securities	46,272	44,055
Total	$ 69,544	$ 73,425
Supplementary Information:		
Interest paid	$ 10,658	$ 11,087

1. NATURE OF BUSINESS

The Winnipeg Regional Health Authority ("the Authority") was established on December 1, 1999. The Authority provides community health services directly through its operations of Home Care, Mental Health and Public Health and provides acute care services through its Health Sciences Centre (HSC), Deer Lodge Centre (DLC), and Pan Am Clinic (Pan Am) sites. Acute care services are also provided by seven other urban hospitals (Concordia Hospital, Misericordia Health Centre, Riverview Health Centre, Inc., St. Boniface General Hospital, The Salvation Army Grace Hospital, Seven Oaks General Hospital, and Victoria General Hospital) ("the Hospitals"). Long term care, community health and other health services are delivered in the region through non-proprietary and proprietary personal care homes and community health agencies as well as through a number of non-profit organizations.

Effective April 1, 2002, the delivery of long term care services in the region was expanded to include proprietary personal care homes. In addition, the Authority assumed responsibility for funding the proprietary personal care homes outside of the region. Programming responsibility for these personal care homes remains with the appropriate rural regional health authorities.

Effective August 1, 2002, the assets and liabilities of the Deer Lodge Centre (DLC) were transferred to the Authority. The Board of Directors of DLC was dissolved and the net assets of DLC were integrated into the Authority.

The Authority is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) The reporting entity

The scope of the Authority's operations are classified into these four distinct segments:

1. Direct Operations – Home Care services, Mental Health services, Public Health services, Primary Care services, Acute Care services (HSC, DLC, and Pan Am sites), and medical remuneration.
2. Acute Care services – provided through the seven other hospitals by means of operating agreements.
3. Long Term Care and Community Health services – provided through non-proprietary and proprietary personal care homes and community health agencies by means of service purchase agreements.
4. Other Health services – provided through various agencies by means of grant funding mechanisms.

The seven Acute Care hospitals in (ii) are non-consolidated controlled entities. A financial summary of these non-consolidated controlled entities is provided in Note 11.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) *Definition of controlled entity*

The Authority is the majority funder of the Hospitals. The Hospitals act as the Authority's agents in providing health care services mandated by the Province of Manitoba. These health care services are delivered under the control of the Authority from an accounting perspective. This determination of control is based largely on the fact that the Hospitals' purpose is integrated with that of the WRHA such that the Hospitals and the WRHA have common and complementary objectives. Moreover, due to the existence of operating agreements between the Authority and the Hospitals, the WRHA has the power to determine the strategic operating, investing and financing policies of the Hospitals.

Additionally, the Deer Lodge Centre Foundation has been deemed a controlled entity by virtue of the fact that its purpose is to raise funds for the Deer Lodge Centre.

As permitted by Canadian generally accepted accounting principles, the controlled entities have not been consolidated into the Authority's financial statements. Note 11 provides a financial summary of these controlled non-consolidated entities.

c) *Revenue recognition*

The Authority follows the deferral method of accounting for contributions:

i. Operating contributions – recorded as revenue in the period to which they relate.

ii. Unrestricted contributions – recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

iii. Externally restricted contributions – recognized as revenue in the year in which the related expenses are recognized.

iv. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

v. Contributions approved but not received at the end of an accounting period are accrued. Where a portion of a contribution relates to a future period, it is deferred and recognized in that subsequent period.

The Authority is funded by the Province of Manitoba using Manitoba Health funding mechanisms. These financial statements use funding mechanisms approved by Manitoba Health for the year ended March 31, 2004.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) *Investments*

Investments in marketable securities are recorded at cost. Market value of the investments at March 31, 2004 is $46,501 (cost - $46,272), March 31, 2003 - $44,210 (cost $44,055).

e) *Medical, drugs and other supplies*

Medical, drugs and other supplies are valued at cost.

f) *Linen and bedding inventory*

Linen and bedding inventory is recorded at cost and expensed when put into use.

g) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis using an annual rate of:

Buildings	2.5%
Improvements to land & buildings	4-20%
Equipment	10-33%
Computer hardware/software	20%
Furniture	10%
Leasehold improvements	over the life of the lease
Facility upgrades	5%
Start-up costs	33 1/3%

h) *Debenture issue costs*

Debenture issue costs are amortized over the term of the debentures.

i) *Financial instruments*

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Authority's accounts receivable are comprised mostly of amounts due from the Government of Manitoba, which minimizes credit risk.

Interest rate risk

Interest rate risk is the risk arising from fluctuations in short term interest rates and the volatility of those rates. The Authority mitigates this risk by retaining the option to convert all floating rate borrowings to fixed rate borrowings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of the fair values because of the short maturity of those instruments. Short-term financial assets are comprised of cash and marketable securities, accounts receivable and employee benefits recoverable from Manitoba Health. Short-term financial liabilities are comprised of accounts payable and accrued liabilities, employee benefits payable and current portion of long term debt.

The fair value of the long term asset future employee benefits recoverable from Manitoba Health and the long term liability future employee benefits payable could not be determined because there are no specific terms of repayment.

j) Retirement entitlement obligations

The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

k) Employee benefits

The Authority records a provision for employee benefits including accrued vacation and accrued overtime entitlements.

Funding for employee benefits is recoverable from Manitoba Health as a component of salary costs in the period in which the expenditures are made. Accordingly, the cost of the estimated accrued vacation pay and overtime entitlement obligations at year-end is deferred to enable an appropriate matching of expenses with the funding secured in subsequent years.

l) Surplus retention and use policy – Acute care operations and controlled entities

50% of the insured services operating surplus for the current fiscal year is recorded on the Statement of Financial Position as deferred contributions. The Authority will confirm the approved amount of the retainable surplus when the Authority reviews the audited financial statements of its Controlled Entities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Due to/from Manitoba Health

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care, and Emergency Response and Transport. All additional costs in these five service areas must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding

Out of Globe Funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficits related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

3. ACCOUNTS RECEIVABLE

	2004	2003
Manitoba Health - operating and capital	$ 20,451	$ 25,388
Facility advances and bridge funding	9,060	14,579
Patient related and other	9,871	14,336
	$ 39,382	$ 54,303

4. CAPITAL ASSETS

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 4,651	$ -	$ 4,651	$ 4,650
Buildings	316,628	114,933	201,695	193,890
Improvements to land & buildings	5,797	3,082	2,715	2,535
Equipment	279,594	218,916	60,678	51,980
Computer hardware	10,543	5,352	5,191	3,180
Computer software	1,208	1,164	44	593
Furniture	3,798	904	2,894	1,792
Leasehold improvements	3,127	1,103	2,024	2,239
Facility upgrades	5,085	1,087	3,998	4,252
Construction in progress	54,332	-	54,332	27,191
Start-up costs	2,856	2,840	16	11
	$ 687,619	$ 349,381	$ 338,238	$ 292,313

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2004	2003
Accounts payable and accrued liabilities	$ 54,251	$ 62,272
Accrued salaries	30,159	23,715
Accrued interest on long term debt	3,455	3,457
Holdbacks on construction contracts	1,699	370
	$ 89,564	$ 89,814

6. LONG-TERM DEBT

	2004	2003 (Restated - Note 19)
a) Bank loans payable consist of the following:		
Demand bank loans for capital projects in anticipation of the future issuance of long-term debt by Manitoba Health, interest at prime less 1.0%	$ 6,184	$ 15,681
Bank loan, interest at prime less 0.8%	3,367	3,645
Banker's acceptances, supported by specific borrowing resolution incorporating an assignment of monies payable by the Governments of Canada or Manitoba: Interest at 2.70%, maturing April 20, 2004	1,303	1,500
Operating credit line demand installment loans: Interest at prime less 0.8%, maturing January 17, 2008	440	533
Bank loan, interest as determined annually by Manitoba Health	-	48
	$ 11,294	$ 21,407

	2004	2003 (Restated - Note 19)
b) Debentures payable consist of the following:		
13 5/8% Debenture dated November 15, 1984 maturing 2004, annual payments of $42 (fair value $14)	$ 13	$ 55
13.40% Sinking fund debenture maturing 2004, annual payments of $1,100	50,000	50,000
10.25% Sinking fund debenture maturing 2011, annual payments of $625	25,000	25,000
	$ 75,013	$ 75,055

6. LONG-TERM DEBT (continued)

c) Mortgages payable consist of the following:

	2004	2003 (Restated - Note 19)
8.25% Mortgage, maturing 2017 Emily Street Parkade (fair value $10,606)	**10,082**	10,593
6.47% Mortgage, maturing 2004, William Avenue Parkade (fair value $88)	**64**	402
7.38% Mortgage payable, maturing 2018 Nutrition & Food Services (fair value $18,758)	**16,719**	17,347
7.04% Mortgage payable, maturing 2006 Nutrition & Food Services (fair value $1,712)	**1,625**	2,178
6.86% Mortgage payable, maturing 2003 Nutrition & Food Services (fair value $nil)	**-**	145
	$ 28,490	$ 30,665
Total long-term debt	**$ 114,797**	$ 127,127
Less amounts due within one year, included in current liabilities	**(53,869)**	(5,495)
	$ 60,928	$ 121,632

At March 31, 2004 the carrying value of the sinking fund reserves and accumulated interest aggregated $57,316 (March 31, 2003 - $51,333). Annual payments are made by the Authority/Manitoba Health from cash held in trust. The aggregate balance in the sinking fund reserves for all debentures will be sufficient to retire the associated sinking fund debentures at maturity.

The fair value of long term debt at March 31, 2004 has been calculated using discounted cash flow analysis based on incremental borrowing rates currently available for similar terms and maturities.

The fair value of the bank loans payable could not be determined because there are no specific terms of repayment.

Certain of the long-term debt instruments contain various restrictive covenants.

6. LONG-TERM DEBT (continued)

d) The principal repayments over the next five years are as follows:

2005	$ 53,869
2006	8,482
2007	2,088
2008	1,795
2009	1,903

7. SPECIFIC PURPOSE FUNDS

Cash and investments held for specific purposes include the following:

	2004	2003 (Restated - Note 19)
Cash and marketable securities, at cost	**$ 32,910**	$ 31,461

The Authority maintains numerous research, trust and clearing accounts designated for specific purposes. An analysis of the changes in these funds is as follows:

	2004	2003 (Restated - Note 19)
Balance, beginning of year	**$ 31,461**	$ 27,050
Grants, bequests and donations	**17,118**	17,509
Investment income	**1,469**	1,935
Disbursements	**(17,138)**	(15,033)
Balance, end of year	**$ 32,910**	$ 31,461

Certain of the funds designated for specific purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact, or that the principal be used for specifically stated purposes.

8. DEFERRED CONTRIBUTIONS

	2004	2003 (Restated - Note 19)
Deferred contributions, future expenses	$ 15,078	$ 28,116
Deferred contributions, capital	274,367	219,537
Deferred contributions, total	$ 289,445	$ 247,653

a) Deferred contributions, future expenses

Deferred contributions related to future expenses represent the unspent amount of funding received for the Authority's operating expenses. The amortization of deferred contributions, future expenses is recorded as revenue in the statement of operations.

	2004	2003 (Restated - Note 19)
Balance, beginning of year	$ 28,116	$ 20,427
Amount received during the year	6,410	13,988
Transferred to deferred contributions, capital	(10,649)	(2,034)
Less: amount recognized as revenue in the year	(8,799)	(4,265)
Balance, end of year	$ 15,078	$ 28,116

b) Deferred contributions, capital

Deferred contributions related to capital assets represent the unamortized and unspent amount of funding received for the purchase of the Authority's capital assets. The amortization of deferred contributions, capital is recorded as revenue in the statement of operations.

	2004	2003 (Restated - Note 19)
Balance, beginning of year	$ 219,537	$ 202,899
Amount received during the year	67,989	36,239
Transferred from deferred contributions, future expenses	10,649	2,034
Amounts amortized to revenue – Programs	(21,884)	(19,024)
Amounts amortized to revenue – Ancillary operations	(1,924)	(2,611)
Balance, end of year	$ 274,367	$ 219,537

9. NURSE RECRUITMENT AND RETENTION FUND

In 2000, Manitoba Health had established a $7 million Nurse Recruitment and Retention Fund in order to assist with the implementation of recruitment and retention strategies for nurses throughout Manitoba. The Authority holds, invests and disburses funds on behalf of the Nurse Recruitment and Retention Committee. The Fund is administered by a tri-partite committee comprised of the Regional Health Authorities of Manitoba, Manitoba Health, and the Manitoba Nurses Union. The Authority can only disburse funds authorized by this committee.

Cash and investments held for the Nurse Recruitment and Retention Fund include the following:

	2004	2003
Cash and marketable securities, at cost	**$ 4,921**	$ 7,106

An analysis of the changes in the Nurse Recruitment and Retention Fund is as follows:

	2004	2003
Balance, beginning of year	**$ 7,106**	$ 6,635
Additions to fund	**175**	2,175
Interest earned on investment	**168**	194
Fund expenditures	**(2,528)**	(1,898)
Balance, end of year	**$ 4,921**	$ 7,106

10. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	2004	2003 (Restated - Note 19)
Capital assets	$ 283,890	$ 265,111
Start-up costs	16	11
Construction in progress	54,332	27,191
	$ 338,238	$ 292,313
Amounts financed by:		
Sinking Fund	57,316	51,333
Cash held in trust by Manitoba Health for debt service	4,300	4,300
Deferred contributions	(274,367)	(219,537)
Loans and accounts payable	(109,853)	(116,069)
Investment in capital assets	$ 15,634	$ 12,340

Change in net assets invested in capital assets is calculated as follows:

	2004	2003 (Restated - Note 19)
a) Excess of expenses over revenues		
Amortization of capital assets included in programs	$ (22,111)	$ (19,095)
Amortization of capital assets included in ancillary operations	(3,722)	(4,130)
Amortization of deferred contributions related to capital assets included in programs	21,884	19,024
Amortization of deferred contributions related to capital assets included in ancillary operations	1,924	2,611
	$ (2,025)	$ (1,590)
b) Purchase of capital assets	$ 71,758	$ 32,387
Amounts funded by:		
Capital contributions received in the year	(67,989)	(36,293)
Capital contributions transferred from future expenses	(10,649)	(2,034)
Change in capital contributions receivable	12,199	8,651
	$ 5,319	$ 2,711
Change in net assets	$ 3,294	$ 1,121

11. CONTROLLED ENTITIES INFORMATION

A financial summary of the seven urban hospitals and the Deer Lodge Centre Foundation, which have not been consolidated, with the accounts of the Authority is as follows:

	2004	2003 (Restated - Note 19)
Financial position:		
Assets	$ 569,992	$ 542,332
Liabilities	521,973	497,941
Total net assets	$ 48,019	$ 44,391
Results of operations:		
Total revenues	$ 564,521	$ 532,046
Total expenses	574,241	533,563
Deficit from operations	$ (9,720)	$ (1,517)
Ancillary operations:		
Total revenues	$ 29,312	$ 26,941
Total expenses	27,068	24,748
Surplus from ancillary operations	$ 2,244	$ 2,193
Other:		
Surplus refundable to WRHA	$ -	$ (622)
Prior years' deficit/(funding recovery) support	(252)	1,572
Total other	$ (252)	$ 950
Net (deficit) surplus	$ (7,728)	$ 1,626
Cash flows:		
From operating activities	$ (2,822)	$ 3,719
Cash used for financing & investing	(7,356)	(9,153)
Decrease in cash	$ (10,178)	$ (5,434)

12. COMMITMENTS AND CONTINGENCIES

a) The Authority is subject to legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse affect on the financial position of the Authority.

b) At March 31, 2004, annual lease payments of the Authority under the operating lease for the various premises occupied by the Authority over the next five years are as follows:

2005	$ 3,480
2006	3,325
2007	3,112
2008	2,940
2009	2,905

c) At March 31, 2004, the Authority had capital commitments of approximately $58,082 (2003 - $87,222) and equipment purchase commitments of approximately $2,548 (2003 - $12,657).

d) The Authority has entered into various operating lease commitments. The minimum amounts payable over the next five years are as follows:

2005	$ 3,917
2006	2,801
2007	1,760
2008	986
2009	280

13. HIROC

On July 1, 1987, a group of health care organizations ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal under provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2004.

14. ECONOMIC DEPENDENCE

The Authority received approximately 97% (2003 – 97%) of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations.

15. RELATED PARTY TRANSACTIONS

The Authority is responsible for the overall management of health care services provided in the Winnipeg Health Region. Programs are delivered in the region by the Authority through its direct service operations, by Hospitals through operating agreements, by proprietary and non-proprietary personal care homes and community health agencies through service purchase agreements as well as through a number of non-profit organizations through grant funding mechanisms. The Authority transacts business on a regular basis with the organizations and agencies described in Notes 1 and 2b.

16. RELATED ENTITIES

The Authority has an economic interest in the Health Sciences Centre Foundation Inc. (HSCF) and the Children's Hospital Foundation of Manitoba Inc. (CHFM). The financial statements of the foundations have not been included in these statements.

These foundations are incorporated under the Corporations Act of Manitoba and are registered charities for the purposes of the Income Tax Act and accordingly exempt from income taxes. The foundations' aims and objectives are to raise, invest and allocate funds for research projects through a number of institutions.

During the year $351 (2003 - $196) in funds were distributed through Health Sciences Centre. HSCF also administers payments to medical researchers that work at Health Sciences Centre on a fee for service basis. The fees paid to HSCF during the year by Health Sciences Centre for this service amounted to $40 (2003 - $19).

During the year, CHFM contributed $890 (2003 - $613) to Health Sciences Centre to assist with activities at the Children's Hospital.

17. EMPLOYEE FUTURE BENEFITS

a) Accrued retirement entitlement

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan (HEPP) is to pay out four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

i) has ten years service and has reached the age 55 or
ii) qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
iii) retires at of after age 65
iv) terminates employment at any time due to permanent disability

The Authority undertook an actuarial valuation of the HEPP non-pension pre-retirement leave benefit for accounting purposes as at December 31, 2000, projected to March 31, 2004. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% and a rate of salary increase of 4.0% plus age related merit/promotion scale with no provision for disability.

The Authority's contractual commitment based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan (CSSP) is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service.
- 2 weeks of additional severance pay for each increment of five years past the 15 years of service up to 35 years of service.

The Authority undertook an actuarial valuation of the CSSP non-pension pre-retirement leave benefit for accounting purposes as at December 31, 2000, projected to March 31, 2004. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.5% and a rate of salary increase of 4.0% plus age related merit/promotion scale with no provision for disability.

Funding for the retirement obligation is recoverable from Manitoba Health on an out of globe basis in the year of payment.

b) Pension plan

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

17. EMPLOYEE FUTURE BENEFITS (continued)

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee's contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2002, indicates that the plan is fully funded. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $16,092 (2003 - $14,136) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

18. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

19. RESTATEMENT OF PRIOR PERIODS

During the year, at the request of Manitoba Health, the Authority modified its method of accounting for long-term debt held with the Department of Finance, Province of Manitoba and deferred contributions. The prior year comparative numbers have been retroactively restated to account for the change. The net effect of the restatement for the year ended March 31, 2003 is to decrease long term debt by $103,135, decrease current portion of long term debt by $8,976 and to increase deferred contributions by $112,111. As a result, Manitoba Health income decreased by $6,542 and long term interest expense decreased by $6,542.

In addition, internally restricted net assets were reduced and specific purpose funds were increased by $139 to reflect the fact that the board does not control the disbursement of the funds.

The prior year financial statements were corrected to reflect a reclassification between net assets – invested in capital assets and net assets – unrestricted in the amount of $10,649.

The prior year financial statements were corrected to reflect the reclassification of Deer Lodge Centre Foundation as a controlled entity.

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 1 - Other Income

For the 12 months ended March 31, 2004

(in thousands of dollars)

	2004	2003 (Restated - Note 19)
Separately funded primary health programs	**$ 5,617**	$ 4,769
Patient and resident income	**9,122**	8,450
Radiology fee for service	**2,907**	2,516
External recoveries	**25,799**	22,039
Interest income	**2,064**	1,943
Miscellaneous income	**2,374**	1,851
Total	**$ 47,883**	$ 41,568

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 2 - Acute Care Facility Funding

For the 12 months ended March 31, 2004
(in thousands of dollars)

		2004		2003
Concordia Hospital	$	41,658	$	38,717
Grace General Hospital		60,663		58,055
Manitoba Adolescent Treatment Centre		8,292		7,491
Misericordia Health Centre		30,514		29,002
Riverview Health Centre		35,026		34,074
Seven Oaks General Hospital		63,330		57,435
St. Boniface General Hospital		207,160		196,899
Victoria General Hospital		52,636		50,521
Total Acute Care Facility Funding	$	499,279	$	472,194

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 3 - Long Term Care Facility Funding

For the 12 months ended March 31, 2004
(in thousands of dollars)

	2004	2003
Non-Proprietary Personal Care Homes		
Bethania	$ 5,747	$ 5,272
Calvary Place	4,270	4,108
Concordia	5,334	5,407
Convalescent Home	2,552	2,162
Donwood Manor	4,286	4,021
Foyer Valade	4,048	3,515
Fred Douglas	4,648	4,117
Golden Links	3,019	2,600
Golden West	3,573	3,186
Holy Family	9,884	8,658
Lions Manor	3,958	3,543
Luther Home	2,904	2,513
Meadowood	3,010	2,373
Middlechurch	6,855	6,218
Misericordia Place	2,967	3,389
Park Manor	3,505	3,006
Pembina Place (formerly Deaf Centre)	2,201	1,983
Sharon Home	8,703	7,803
St. Joseph's	3,073	2,978
Tache	13,151	12,007
West Park	4,903	3,755
Supportive Housing	2,376	2,376
Miscellaneous Funding Adjustments	328	399
Total	$ 105,295	$ 95,389
Proprietary Personal Care Homes		
Beacon Hill	$ 6,168	$ 5,815
CPL Parkview	9,727	9,046
CPL Poseidon	7,353	6,754
Charleswood Care Centre	5,173	4,804
Fort Gary Care Centre	2,138	2,016
Golden Door	2,585	2,552
Heritage Lodge	2,919	2,741
Kildonan	4,766	4,512
Maples	7,316	6,848
Oakview Place	8,101	7,444
River East	4,723	4,453
St. Norbert	3,088	2,903
Tuxedo Villa	6,655	6,002
Vista Park Lodge	3,481	3,379
Miscellaneous Funding Adjustments	298	429
Total	$ 74,491	$ 69,698
Rural Proprietary Personal Care Homes *		
CPL Brandon	$ 2,937	$ 176
Hillcrest Place	3,411	169
Red River Place	3,840	270
St. Adolphe	1,295	115
Tudor House	2,663	196
Total	$ 14,146	$ 926
Residential Care		
St. Amant Centre	$ 5,321	$ -
Total	$ 199,253	$ 166,013

The facility funding reported on the schedule reflects approximately 75% of the personal care homes total annual budget. The remainder of the budget is funded directly by the facility through Residential Charges.

* 2004 figures represent a full year of funding. The Authority was only responsible for providing a portion of 2003 funding.

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 4 - Community Health Agency Funding

For the 12 months ended March 31, 2004
(in thousands of dollars)

	2004	2003
Health Action Centre *	**$ -**	$ 2,397
Hope Centre Health Care Incorporated	**747**	670
Klinic Incorporated	**3,701**	3,276
Main Street Project Inc.	**1,329**	1,270
MFL Occupational Health and Safety Inc.	**675**	527
Mount Carmel Clinic	**5,482**	5,309
Nor'West Co-op Community Health Centre, Inc.	**959**	856
Rehabilitation Centre for Children, Inc.	**2,259**	1,977
Nine Circles Community Health Centre Inc.	**1,631**	1,460
Women's Health Clinic, Inc.	**1,321**	1,273
Clinique Youville Clinic Inc.	**2,021**	1,800
Sexuality Education Resource Centre Manitoba, Inc.	**537**	500
Miscellaneous Funding Adjustments	**69**	51
Total	**$ 20,731**	$ 21,366

* Became part of WRHA direct operations effective April 1, 2003.

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 5 - Adult Day Care Facility Funding
For the 12 months ended March 31, 2004
(in thousands of dollars)

	2004	2003
Convalescent Home	$ 52	$ 31
Fred Douglas	128	138
Golden Links	43	43
Golden West	125	122
Holy Family	146	141
Independent Living Resource Centre	93	88
Lions Manor	156	137
Lions Place - Charleswood	215	240
Lions Place - Concordia	158	164
Lions Place - 610 Portage	191	197
Luther Home	66	70
Middlechurch	165	144
Oakview Place	118	118
Park Manor	99	89
Riverview Health Centre	175	148
Sharon Home	51	49
South YM/YWCA	147	131
Tache	226	294
Miscellaneous Funding Adjustments	-	1
Total	$ 2,354	$ 2,345

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 6 - Grants to Facilities and Agencies

For the 12 months ended March 31, 2004
(in thousands of dollars)

	2004	2003
Age & Opportunity Centre Inc	$ 535	$ 527
AGR Health Services to Senior:	-	176
Bethel Place	34	34
Bluebird Service Clut	10	10
Bonivital Council for Senior:	35	35
Broadway Seniors Resource Council Inc	35	35
Brooklands/Weston Community Resourc	35	35
Canadian Mental Health Associatio	873	913
Central Speech & Hearing Clinic Inc	124	-
Charleswood Senior Centr	32	3
Chez Nous Inc.	17	17
City of Winnipeg - Emergency Service:	4,479	4,479
Clubhouse of Winnipeg Inc	357	357
Columbus Manoi	17	17
Community Therapy Service:	178	178
Creative Retirement Manitob	32	32
Fort Garry Services Inc.	17	17
Foyer Vincent Inc.	17	17
Friendly Neighbour Counc	35	35
Friends Housing Inc.	71	71
Good Neighbours Senior Centre Inc	32	32
Gwen Secter Creative Living Centr	42	42
Jewish Child and Famil	34	29
Jocelyn House	70	70
Kingsford Haus Co-op Ltd	10	10
L'Accueil Colombien Inc	16	16
Lions Club	33	33
Manitoba Association of Multipurpose Senior Centre	2	2
Manitoba Cardiac Institute (Reh-fit	635	630
Manitoba Eastern Star Chale	10	10
Manitoba Housing Authorit	293	293
MacDonald Youth Service:	309	329
Meals on Wheels of Winnipeg Inc	141	141
Metropolitan Kiwanis Court:	17	17
Middlechurch Home of Winnipe	41	41
Seven Oaks (formerly North Winnipeg Community Counci	20	35
Pembina Place (formerly Deaf Centre Manitoba Inc	33	33
River East Council for Senior:	45	45
Rose & Max Rady Jewish Community Centr	16	16
Ruperts Land Caregiver Service:	35	35
S.S.C.O.P.E. Incorporatec	111	101
Salvation Arm	1,508	1,893
Sara Riel Inc	1,515	1,515
Seniors Home Help Inc	64	64
Seneca House	331	314
Serena Manitoba Inc	11	11
Seven Oaks Wellness Centre	478	462
Society for Manitobans with Disabilitie	1,147	1,147
South Winnipeg Senior Resource Council Inc	35	35
St. Amant Centre (dental grant	13	13
St. James/Assiniboia Senior Centre Inc	82	82
Stay Young Centre	16	16
Ten Ten Sinclair Housing Inc	1,123	892
Transcona Council for Senior:	39	39
University of Manitob	30	30
University of Manitoba - Library Services	-	400
Villa Cabrini Inc	34	33
Villa Nov	10	10
Villa Tache	27	27
Villa Vita Inc	25	39
Wolseley Family Centre	86	86
YW/YMCA of Winnipeg	154	154
Total	$ 15,606	$ 16,210

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations
By Nature of Expense

For the 12 months ended March 31, 2004
(unaudited)
(in thousands of dollars)

	2004	2003
REVENUE		
Manitoba Health operating income	$ 1,440,788	$ 1,308,260
Other government revenue	10,864	13,740
Patient services		
(includes patient and resident income)	14,549	14,321
Amortization of deferred contributions	55,527	48,294
Other Revenue	54,126	43,460
Total Revenue	1,575,854	1,428,075
EXPENSES		
Salaries and Wages	835,999	755,169
Medical remuneration	107,269	93,588
Printing, stationery and office Supplies	7,776	7,533
Housekeeping, laundry and linen	9,912	8,765
Utilities, insurance and taxes	22,906	21,028
Food and dietary supplies	8,390	12,952
Medical and surgical supplies	69,716	66,478
Pharmaceutical supplies	58,655	53,874
Diagnostic supplies	15,442	15,176
Miscellaneous and other	55,968	37,972
Repairs and maintenance	27,700	24,492
Referred out services	33,811	35,848
Radiology fee for service costs	8,780	3,990
Interest	19,068	19,701
Amortization of capital assets	47,449	43,932
Change in future employee benefits	16,566	20,326
Non-acute care facility and grant funding	238,642	206,798
Total Operating Costs	1,584,049	1,427,622
(DEFICIT) SURPLUS FROM OPERATIONS	(8,195)	453
ANCILLARY AND OTHER RESTRICTED OPERATIONS		
Ancillary operations income	79,086	80,479
Ancillary operations expenses	73,751	75,859
Surplus from Ancillary Operations	5,335	4,620
PRIOR YEAR DEFICIT SUPPORT	(247)	1,572
SURPLUS REFUNDABLE TO WRHA	-	(2,553)
(DEFICIT) SURPLUS FOR THE YEAR	$ (3,107)	$ 4,092

Note: The amounts reported on this schedule reflect the consolidated financial results of the Authority, (including HSC, DLC, and Pan Am) and Hospitals funded by the Authority through an operating agreement. Differences in the timing of revenue/expense recognition between the Authority and the Hospitals results in line item differences between this schedule and the statement of operations. The overall reported (deficit) surplus is a compilation of the audited results of operations for all included sites.

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations
By Program

For the 12 months ended March 31, 2004
(unaudited)
(in thousands of dollars)

	2004	2003
REVENUE		
Manitoba Health operating income	$ 1,440,788	$ 1,308,260
Other government revenue	10,864	13,740
Patient services (includes patient and resident income)	14,549	14,321
Amortization of deferred contributions	55,527	48,294
Other Revenue	54,126	43,460
Total Revenue	1,575,854	1,428,075
EXPENSES		
Program costs		
Anaesthesia	6,470	6,024
Breast health	2,377	1,812
Cardiac sciences	51	-
Child health	60,411	52,693
Child adolescent & mental health	12,766	11,593
Critical care	41,774	37,753
Diagnostic imaging	40,119	40,037
Diagnostic imaging - Radiology Fee for Service	8,535	5,206
Emergency	44,593	40,234
Family medicine	37,756	32,854
Health Links	2,794	985
Laboratories	51,599	47,597
Medicine	83,067	76,905
Renal health	38,266	35,441
Mental health	26,697	24,912
Oncology	10,287	9,264
Psychology	2,960	2,520
Rehab/Geriatrics	54,510	51,217
Surgery	147,217	136,065
Tele-health	2,098	7
Women's health	41,268	39,390
Long term care	39,008	35,716
Residents and interns	18,942	16,069
Other diagnostic & therapeutic services	23,649	21,817
Pharmacy	27,704	26,444
Community based home care services	129,105	113,751
Community based mental health services	7,510	6,431
Community based primary health services	18,719	12,027
Separately funded primary health programs	5,408	5,215
	985,660	889,979

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations By Program (continued)

For the 12 months ended March 31, 2004
(unaudited)
(In thousands of dollars)

	2004	2003
Indirect service costs		
Corporate and support services	**62,798**	51,754
Clinical and non-clinical support services	**58,574**	59,526
Information services	**12,456**	11,836
Facility services	**119,718**	105,236
Marketed services	**110**	134
Research and education services	**4,603**	4,946
	258,259	233,432
Other costs		
Non-acute care facility and grant funding	**238,642**	206,798
Aboriginal Services & Strategies	**1,635**	1,377
Other costs	**7,465**	7,777
Pre-retirement	**9,305**	4,300
Interest	**19,068**	19,701
Amortization of capital assets	**47,449**	43,932
Change in future employee benefits	**16,566**	20,326
	340,130	304,211
Total operating expenses	**1,584,049**	1,427,622
SURPLUS FROM OPERATIONS	**(8,195)**	453
ANCILLARY AND OTHER RESTRICTED OPERATIONS		
Ancillary operations income	**79,086**	80,479
Ancillary operations expenses	**73,751**	75,859
Surplus from Ancillary Operations	**5,335**	4,620
PRIOR YEAR DEFICIT SUPPORT	**(247)**	1,572
SURPLUS REFUNDABLE TO WRHA	**-**	(2,553)
SURPLUS FOR THE YEAR	**$ (3,107)**	$ 4,092

Note: The amounts reported on this schedule reflect the consolidated financial results of the Authority, (including HSC, DLC, and Pan Am) and Hospitals funded by the Authority through ar operating agreement. Differences in the timing of revenue/expense recognition between the Authority and the Hospitals results in line item differences between this schedule and the statement of operations. The overall reported (deficit) surplus is a compilation of the audited results of operations for all included sites.

ADMINISTRATIVE COSTS

The Canadian Institute of Health Information (CIHI) defines a standard set of guidelines for the classification and coding of financial and statistical information for use by all Canadian health service organizations. The Authority adheres to these coding guidelines.

By CIHI definition, administrative costs consist of: General Administration (including Acute/Long Term Care/Community administration, patient relations, community needs assessment, risk management, quality assurance, and executive costs), Finance, Human Resources, Labour Relations, Nurse/Physician recruitment and retention, and Nursing Administration.

The administrative cost percentage indicator (administrative costs as a percentage of total operating costs) adheres to CIHI definitions with the exception that employee benefits have been excluded to improve comparability with other Manitoba regional health authorities. An indicator including benefits has also been presented below.

Administrative cost percentage for the Authority (including hospitals and PCH's) are below:

	2004	2003
Administrative cost % (benefits excluded)	**5.8%**	5.6%
Administrative cost % (benefits included)	**7.1%**	6.9%

Deloitte

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AUDITORS' REPORT

To the Board of Directors of
Rehabilitation Centre For Children, Inc.

We have audited the statement of financial position of the Rehabilitation Centre For Children, Inc. as at March 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
May 7, 2004

REHABILITATION CENTRE FOR CHILDREN, INC.

Statement of Financial Position

March 31, 2004

	2004	2003
ASSETS		
CURRENT		
Cash	$ 285,086	$ 260,257
Accounts receivable (Note 3)	349,578	472,143
Inventory	180,868	180,376
Prepaid expenses	3,972	3,381
Deferred charges - vacation pay (Note 2d)	170,406	161,267
	989,910	1,077,424
RESTRICTED CASH (Note 8a)	19,176	18,517
DEFERRED CHARGES - EMPLOYEE FUTURE BENEFITS (Note 2d)	165,643	131,412
CAPITAL ASSETS (Note 4)	218,076	167,382
	$ 1,392,805	$ 1,394,735
LIABILITIES		
CURRENT		
Accounts payable	$ 194,513	$ 314,785
Accrued vacation pay (Note 2d)	170,406	161,267
	364,919	476,052
ACCRUED EMPLOYEE FUTURE BENEFITS (Note 2d)	352,453	288,243
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 5)	199,976	154,821
	917,348	919,116
NET ASSETS		
Invested in capital assets (Note 8a)	37,276	31,078
Restricted (Note 9)	83,935	86,710
Unrestricted	354,246	357,831
	475,457	475,619
	$ 1,392,805	$ 1,394,735

APPROVED BY THE BOARD

SR Oakley .... Director

Dale Brownlee ... Director

REHABILITATION CENTRE FOR CHILDREN, INC.

Statement of Operations

Year Ended March 31, 2004

	2004	2003
REVENUE		
Patient services - Winnipeg Regional Health Authority	**$ 1,982,448**	$ 1,958,806
Block Funding Prosthetics - Winnipeg Regional Health Authority	**162,000**	-
Sales of prosthetics	**54,209**	176,538
Sales of orthotics	**344,709**	297,344
Restricted donations		
Variety Club of Manitoba Tent 58	**-**	19,357
Rehabilitation Centre for Children Foundation Incorporated (Note 7)	**57,137**	16,342
Sales of assistive devices	**85,914**	110,291
School therapy program	**904,263**	888,381
Provincial Outreach Therapy for Children program	**352,079**	351,194
Miscellaneous	**63,082**	83,477
	4,005,841	3,901,730
EXPENSES		
Salaries	**1,783,437**	1,740,870
Employee benefits and costs	**279,337**	288,586
Prosthetics supplies	**63,631**	48,870
Orthotics supplies	**65,019**	41,631
Special devices supplies	**151,537**	139,393
Other supplies and expenses	**187,019**	207,652
Restricted expenditures		
Variety Club Manitoba Tent 58 - prosthetics	**-**	19,357
Rehabilitation Centre for Children Foundation Incorporated	**57,137**	16,342
School therapy salaries and other costs	**910,618**	887,842
Provincial Outreach Therapy for Children salaries and other costs	**354,854**	310,895
Repairs and maintenance	**40,910**	44,746
Utilities, insurance and taxes	**66,337**	64,382
Purchased services	**59,552**	55,492
	4,019,388	3,866,058
EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES BEFORE THE FOLLOWING	**(13,547)**	35,672
OTHER INCOME (EXPENSES)		
Amortization of deferred contributions	**45,523**	38,698
Amortization of capital assets	**(50,360)**	(41,824)
Interest income	**7,027**	4,750
Funding for prior years' deficit	**2,027**	73,731
	4,217	75,355
EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES	**$ (9,330)**	$ 111,027

REHABILITATION CENTRE FOR CHILDREN, INC.

Statement of Changes in Net Assets

Year Ended March 31, 2004

	2004				2003
	Invested in Capital Assets (Note 8a)	Restricted (Note 9)	Unrestricted	**Total**	Total
Balance, beginning of year	$ 31,078	$ 86,710	$ 357,831	**$ 475,619**	$ 521,423
Cumulative adjustment due to funded (unfunded) employee future benefits (Note 2d)	-	-	9,168	**9,168**	(156,831)
Fund transfers	11,035	-	(11,035)	**-**	-
Excess of revenue over expenses (expenses over revenue) (Note 8b)	(4,837)	(2,775)	(1,718)	**(9,330)**	111,027
Balance, end of year	$ 37,276	$ 83,935	$ 354,246	**$ 475,457**	$ 475,619

REHABILITATION CENTRE FOR CHILDREN, INC.

Statement of Cash Flows

Year Ended March 31, 2004

	2004	2003
OPERATING ACTIVITIES		
Excess of (expenses over revenue) revenue over expenses	**$ (9,330)**	$ 111,027
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization of capital assets	**50,360**	41,824
Amortization of deferred contributions	**(45,523)**	(38,698)
Future employee benefits	**39,147**	-
	34,654	114,153
Net change in non-cash working capital balances related to operations	**1,210**	55,597
	35,864	169,750
FINANCING AND INVESTING ACTIVITIES		
Increase in deferred contributions related to capital assets	**90,678**	52,646
Changes in cash restricted for purchases of capital assets	**(659)**	2,739
Purchase of capital assets	**(101,054)**	(78,885)
	(11,035)	(23,500)
NET INCREASE IN CASH POSITION	**24,829**	146,250
CASH POSITION, BEGINNING OF YEAR	**260,257**	114,007
CASH POSITION, END OF YEAR	**$ 285,086**	$ 260,257

1. NATURE AND OBJECTIVES OF THE CENTRE

The Rehabilitation Centre for Children, Inc. was incorporated by Articles of Incorporation under the Corporations Act of Manitoba on March 2, 1981, without authorized share capital and is a registered charity under the Income Tax Act.

The Mission of the Rehabilitation Centre for Children, Inc. is to support children with special needs in Manitoba and surrounding areas in reaching their goals and participating in their communities. Together, with families and our partners, we provide a centre of excellence for children's rehabilitation, which includes direct service, education, research, and innovative technologies that are developed and delivered in an integrated, service system.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) *Funding from Winnipeg Regional Health Authority*

The Centre is funded during the year by the Winnipeg Regional Health Authority for the total of its approved budgeted expenses, excluding school therapy, provincial outreach therapy, orthotics and prosthetics expenses, as determined by the Winnipeg Regional Health Authority. The Centre is entitled to retain surpluses up to a maximum of 2% of Winnipeg Regional Health Authority approved programs.

b) *Inventory*

Inventory is valued at the lower of cost or replacement cost.

c) *Capital assets*

Equipment acquired April 1, 1981 is recorded at a nominal value. Additions to equipment subsequent to April 1, 1981 are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense.

Capital assets are amortized on a straight-line basis over the following estimated useful lives:

Building and building service equipment	20 years
Equipment and furniture	5 - 25 years
Information systems	5 – 10 years

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) *Deferred charges –employee future benefits*

The Centre records a provision for future employee benefits including accrued vacation entitlements, accrued overtime and accrued retirement entitlement obligations. For certain employees, funding for the future employee benefits is recoverable from the Winnipeg Regional Health Authority (WRHA) as a component of salary costs in the period in which the expenditures are made. Accordingly, for those employees funded by the WRHA, the cost of the estimated accrued vacation pay, overtime and retirement entitlement obligations at year-end is deferred to enable an appropriate matching of expenses with income secured in subsequent years.

In the prior year, management determined that the costs of certain employees' future benefits are not funded by the WRHA, and are in fact the obligation of the Centre. The cumulative effect of these costs to March 31, 2003 was calculated to be $156,831, and was recorded as a charge against unrestricted net assets at March 31, 2003, with future changes in this funding obligation to be charged to operations. The charge to operations for the current year is $29,979.

During the year, the obligations relating to certain benefits to prosthetic employees became funded by the WRHA. The cumulative effect of these costs to March 31, 2004 was calculated to be $9,168, and is recorded as a recovery of unrestricted net assets at March 31, 2004.

e) *Revenue recognition*

The Centre follows the deferral method of accounting for contributions which includes donations and government grants. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at the same rate as the corresponding capital asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial instruments

Credit risk
Credit risk arises from the potential that a counterparty will fail to perform its obligations. In addition, the Centre is exposed to credit risk from its customers. However, the Centre has a large number of customers which minimizes the concentration of credit risk.

Fair value
The fair value of cash, accounts receivable, accounts payable, and accrued vacation pay is approximately equal to their carrying values due to their short-term maturity.

3. ACCOUNTS RECEIVABLE

	2004	2003
Patient services	**$ 39,580**	$ 34,343
School divisions	**100,619**	189,398
Manitoba Health		
Operations	**-**	43,609
Patient services	**52,080**	26,412
Winnipeg Regional Health Authority		
Operations	**45,931**	50,145
Due from Rehabilitation Centre for Children Foundation Incorporated (Note 7)	**68,692**	29,055
Variety Club of Manitoba	**41,691**	97,706
Other	**985**	1,475
	$ 349,578	$ 472,143

4. CAPITAL ASSETS

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building and building service equipment	**$ 207,401**	**$ 207,400**	**$ 1**	$ 1
Equipment and furniture	**528,350**	**345,564**	**182,786**	133,608
Information systems	**189,499**	**154,210**	**35,289**	33,773
	$ 925,250	**$ 707,174**	**$ 218,076**	$ 167,382

5. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and funding received for the purchase of capital assets. The amortization of capital contributions is recorded in the statement of operations. Changes in the deferred contributions are as follows:

	2004	2003
Balance, beginning of year	**$ 154,821**	$ 140,873
Add: contributions	**90,678**	52,646
Less: amounts amortized to revenue	**(45,523)**	(38,698)
	$ 199,976	$ 154,821

6. PENSION PLAN

Substantially all of the employees of the Centre are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on the length of services and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual facilities. As a result, individual participating facilities are not able to identify their share of the underlying assets and liabilities and accordingly, the plan is accounted for as a defined contribution plan.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at January 1, 2002 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Centre on behalf of its employees amounted to $131,796 (2003 - $131,167) and are included in the statement of operations.

7. RELATED ENTITIES

The Rehabilitation Centre for Children Foundation Incorporated (the Foundation) exists solely to support the activities of the Rehabilitation Centre for Children, Inc. A member of the Centre's Board of Directors sits as a Director on the Foundation's 15 member Board. The Foundation is incorporated under the Corporations Act of Manitoba and is a registered charity under the Income Tax Act. The Foundation may, at its discretion, fund specific projects of the Centre but such funding is for restricted purposes and is not available for general operating activities. The financial statements of the Foundation have not been consolidated in these statements. The financial summary of the controlled entity is as follows:

	2004	2003
Financial Position		
Total assets	**$ 1,499,833**	$ 1,444,097
Total liabilities	**72,615**	31,190
Total net assets	**$ 1,427,218**	$ 1,412,907
Results of Operations		
Total revenues	**$ 465,044**	$ 260,577
Total expenses	**450,733**	260,385
Excess of revenue over expenses	**$ 14,311**	$ 192

During the year, the Foundation donated a total of $133,103 to the Centre in the form of cash and capital donations (2003 - $54,285).

8. INVESTMENT IN CAPITAL ASSETS

a) Investment in capital assets is calculated as follows:

	2004	2003
Restricted cash	$ 19,176	$ 18,517
Capital assets	218,076	167,382
Amounts financed by deferred contributions	(199,976)	(154,821)
	$ 37,276	$ 31,078

b) Change in net assets invested in capital assets is calculated as follows:

	2004	2003
Excess of expenses over revenue		
Amortization of deferred contributions related to capital assets	$ 45,523	$ 38,698
Amortization of capital assets	(50,360)	(41,824)
	(4,837)	(3,126)
Net change in investment in capital assets		
Restricted cash	659	(2,739)
Purchase of capital assets	101,054	55,385
Deposit on capital asset	-	23,500
Deferred contributions	(90,678)	(52,646)
	11,035	23,500
	$ 6,198	$ 20,374

9. RESTRICTED NET ASSETS

Per the Centre's agreement with the Province of Manitoba Department of Family Services and Housing, surpluses generated through the Provincial Outreach Therapy for Children program are restricted to the future provision of outreach therapy services.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the financial statement presentation adopted in the current year.

Management Report

The accompanying financial statements are the responsibility of the management of the Special Operating Agencies Financing Authority and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to July 08, 2004.

Management maintains internal controls to properly safeguard the Financing Authority's assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the Auditor General is to express an independent opinion on whether the financial statements of the Financing Authority are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Wayne

Wayne L. McIntosh
Acting Chairperson,
Special Operating Agencies Financing Authority

July 08, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Member of the Special Operating Agencies Financing Authority

We have audited the combined balance sheet of the Special Operating Agencies Financing Authority at March 31, 2004 and the combined statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2004 and results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 8, 2004

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Balance Sheet
(In Thousands)

March 31	2004	2003
Assets		
Current:		
Cash	$ 6,073	$ 5,921
Restricted cash for expansion (Note 3)	765	3,509
Term deposits with the Minister of Finance	20,154	16,343
Customer deposits	1,160	1,166
Accounts receivable (Note 4)	10,567	10,027
Inventories	5,031	4,769
Prepaid expenses	2,574	2,168
	46,324	43,903
Trust assets	11	10
Restricted deposits (Note 6)	1,000	1,000
Capital assets (Note 5)	58,614	52,631
Receivable from the Province of Manitoba (Note 7)	5,156	5,102
	$ 111,105	$ 102,646
Liabilities		
Current:		
Working capital advances (Note 8)	$ 7,701	$ 7,749
Accounts payable and accruals	13,996	10,727
Unearned revenue	3,166	2,959
Current portion - capital lease obligations (Note 11)	58	58
Current portion - long-term debt (Note 10)	7,946	5,253
	32,867	26,746
Trust liabilities	11	10
Unearned revenue	1,227	889
Deferred Contributions (Note 9)	3,367	3,351
Capital lease obligations (Note 11)	78	138
Long-term debt - Province of Manitoba (Note 10)	13,176	15,134
Severance liability (Note 13)	4,431	4,291
	55,157	50,559
Equity (Note 14)		
Contributed equity	17,828	17,662
Reserve funds (Note 15)	1,500	1,500
Retained earnings	36,620	32,925
	55,948	52,087
	$ 111,105	$ 102,646

Commitments (Note 16)

See accompanyimg notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Income and Retained Earnings

(In Thousands)

Year Ended March 31	2004	2003
Special Operating Agencies Financing Authority		
Revenue		
Annual levy	$ 7	$ 11
Treasury Board Secretariat/Finance contribution	100	98
	107	109
Expenses		
Salaries and benefits	86	82
Other operating	26	23
	112	105
Financing Authority operations	(5)	4
Special Operating Agency operations – net income (loss)		
Civil Legal Services	146	363
Companies Office	1,018	1,213
Fleet Vehicles Agency	2,170	1,983
Food Development Centre	206	56
Industrial Technology Centre	(11)	5
Land Management Services	303	(321)
Mail Management Agency	83	(35)
MERLIN	5	60
Manitoba Securities Commission	5,823	5,380
Manitoba Text Book Bureau	18	15
Materials Distribution Agency	402	410
Office of the Fire Commissioner	447	540
Organization and Staff Development	(67)	(9)
Pineland Forest Nursery	(175)	(162)
The Property Registry	5,066	5,322
The Public Trustee	336	(205)
Vital Statistics Agency	280	195
Net income for the year	16,045	14,814
Retained earnings, beginning of year	32,925	30,052
Transfer of surplus funds to the Province of Manitoba		
Civil Legal Services	(200)	(200)
Companies Office	(800)	(1,000)
Fleet Vehicles Agency	(1,500)	(1,500)
Land Management Services	(250)	(250)
Manitoba Securities Commission	(5,700)	(5,500)
Materials Distribution Agency	(400)	(400)
The Property Registry	(3,500)	(2,496)
Vital Statistics Agency	-	(500)
Reserve fund – Manitoba Securities Commission (Note 15)	-	(95)
Retained earnings, end of year	$ 36,620	$ 32,925

See accompanying notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Cash Flows
(In Thousands)

Year Ended March 31	2004	2003
Cash derived from (applied to):		
Operating		
Net income	$ 16,045	$ 14,814
Amortization	11,504	10,659
Gain on disposal of capital assets	(703)	(921)
	26,846	24,552
Change in:		
Customer deposit accounts	6	88
Accounts receivable	(540)	(520)
Inventories	(262)	(663)
Prepaid expenses	(406)	(410)
Accounts payable and accruals	3,269	(170)
Severance liability	140	155
Unearned revenue	545	1,795
Cash derived from operating activities	29,598	24,827
Investing		
Increase in restricted short-term deposits	-	(95)
Proceeds from disposal of capital assets	1,678	1,904
Acquisition of capital assets	(18,462)	(13,406)
Cash applied to investing activities	(16,784)	(11,597)
Financing		
Contributed equity	166	-
Receivable from the Province	(54)	-
Proceeds from long-term debt	3,349	6,550
Long-term debt repayments	(2,614)	(4,884)
Capital lease obligations	(60)	110
Transfer of surplus funds	(12,350)	(11,846)
Change in deferred contributions	16	3,351
Cash applied to financing activities	(11,547)	(6,719)
Increase in cash	1,267	6,511
Cash and cash equivalents:		
Beginning of year	18,024	11,513
End of year	$ 19,291	$ 18,024
Represented by:		
Cash	$6,073	$ 5,921
Term deposits with the Minister of Finance	20,154	16,343
Restricted cash for expansion (Note 3)	765	3,509
Working capital advances	(7,701)	(7,749)
	$ 19,291	$ 18,024

See accompanying notes to the financial statements.

1. Nature of organization

The Special Operating Agencies Financing Authority (the "Financing Authority") is a body corporate established effective April 1, 1992 under ***The Special Operating Agencies Financing Authority Act.*** Under the direction of the Minister of Finance, the Financing Authority consists of the Chairperson as its sole member and receives staff support from the Department of Finance.

The Financing Authority provides a mechanism for funding Special Operating Agencies (SOAs) that operate outside the Consolidated Fund. It functions as a non-operating holding company, with the mandate to hold and acquire assets required for and resulting from SOA operations. It finances SOAs through contributed equity, repayable loans, and working capital advances. This financial framework enables SOAs to operate in a business-like manner within government policy expectations.

SOAs are designated by regulation under the Act and operate under a charter approved by the Lieutenant Governor in Council. A management agreement between the Financing Authority and the Minister responsible for each SOA assigns responsibility to the agency to manage and account for SOA-related assets and operations on behalf of the Financing Authority. SOAs remain accountable to their Minister for the results they achieve with the authority and resources granted.

The Financing Authority is economically dependent on the Province of Manitoba. Currently, the Financing Authority derives most of its revenue and all of its capital financing requirements from the Province.

SOAs in operation during the fiscal year ended March 31, 2004 were as follows:

Civil Legal Services, Department of Justice
Companies Office, Department of Finance
Fleet Vehicles Agency, Department of Transportation and Government Services
Food Development Centre, Department of Agriculture, Food and Rural Initiatives
Industrial Technology Centre, Department of Energy, Science and Technology
Land Management Services, Department of Transportation and Government Services
Mail Management Agency, Department of Transportation and Government Services
Manitoba Education, Research and Learning Information Networks (MERLIN), Department of Energy, Science and Technology
Manitoba Securities Commission, Department of Finance
Manitoba Text Book Bureau, Department of Education, Citizenship and Youth
Materials Distribution Agency, Department of Transportation and Government Services
Office of the Fire Commissioner, Department of Labour and Immigration
Organization and Staff Development, Civil Service Commission
Pineland Forest Nursery, Department of Conservation
The Property Registry, Department of Finance
The Public Trustee, Department of Justice
Vital Statistics Agency, Department of Finance.

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2. Significant accounting policies

The financial statements of the Financing Authority are presented in accordance with Canadian generally accepted accounting principles.

Basis of reporting

The financial statements of the Financing Authority reflect the financial position and operating results of SOAs currently governed by management agreements with the Financing Authority. These statements are presented on a combined basis. Therefore, inter-agency balances and transactions have not been eliminated.

The following policies apply to the Financing Authority, as well as to all agencies combined herein.

Amortization of capital assets

Vehicles, fire engines	30%, declining balance
Vehicles (signed lease agreement)	straight line over term of lease
Equipment and furniture	20 - 33%, straight line 20%, declining balance
Computer equipment and software	20%, straight line
Rental equipment (Materials Distribution Agency)	2, 3, or 5 years, straight line
Buildings	5 - 40 years, straight line
Practical training site (Office of the Fire Commissioner)	20 years, straight line
Leasehold improvements	3 - 10 years, straight line
Other assets	3 years, straight line

Inventories

Inventories are valued at the lower of cost and market value.

Financial Instruments

The carrying amounts of the current assets and liabilities are reasonable estimates of their fair value because of the short-term maturity of these instruments.

Administrative expenses paid by the Province of Manitoba

The Treasury Board contribution covers salaries and benefits and certain operating expenses, paid by the Province of Manitoba on behalf of the Financing Authority.

Use of estimates

In the preparation of the Financing Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual amounts could differ from these estimates.

3. Restricted cash for expansion

In April 2002 the Food Development Centre received approval for an $11 million expansion funded by the Federal and Provincial governments. During the current year, the expansion was revalued at $14 million.

The expansion will be completed during the March 31, 2005 year-end. As at March 31, 2004 $765 ($3,509 – 2003) is being held on deposit with the Minister of Finance, to be used for the completion of this project.

4. Accounts receivable

	2004	2003
Trade	$10,001	$ 9,558
Insurance agency rebate	367	355
Other	199	114
	$ 10,567	$ 10,027

The trade receivables are mostly due from the Province of Manitoba.

The insurance agency rebate is for discounts receivable by the Fleet Vehicles Agency from the Manitoba Public Insurance Corporation based on favourable claims experience for the Province's vehicle fleet in the previous insurance year.

5. Capital assets

	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
Vehicles, fire engines	$73,867	33,505	40,362	$ 38,527
Equipment and furniture	9,832	5,951	3,881	3,645
Rental equipment	2,722	1,947	775	548
Computer equipment and software	5,096	3,654	1,442	1,487
Buildings	7,951	3,034	4,917	5,217
Practical training site	1,935	572	1,363	1,460
Leasehold improvements	5,811	1,062	4,749	738
Other assets	2,631	1,506	1,125	1,009
	$ 109,845	51,231	58,614	$ 52,631

6. Restricted deposits

The Manitoba Securities Commission maintains separate short-term deposits with the Province of Manitoba to fund revenue fluctuations and to respond to unforeseen events that cannot reasonably be budgeted for within the annual business planning process.

7. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of certain agencies prior to their designation as SOAs. It also includes severance pay benefits earned by SOA employees to March 31, 1998, as well as the benefits accumulated by the employees of the Manitoba Securities Commission prior to March 31, 1999. The balance is comprised of:

	2004	2003
Vacation entitlements	$ 1,744	$1,766
Severance pay benefits	3,412	3,336
	$ 5,156	$ 5,102

The receivable or portion thereof, for an individual SOA will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of an SOA.

8. Working capital advances

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Orders in Council 747/1992, 242/1994, 152/1995, 151/1996, 136/1997, 168/1998, and 129/2000, has arranged for working capital advances to be available to the Financing Authority. The aggregate of the outstanding advances is not to exceed $20,370 (2003 - $20,370) at any one time. As at March 31, 2004, $12,669 (2003 - $12,621) of these advances was unused and available.

9. Deferred Contributions

Funds received prior to March 31, 2004 by the Food Development Centre from the Federal government related to the expansion of an existing facility are recorded as deferred contributions. These amounts will be taken into income to match the amortization of the expansion.

10. Long-term debt - Province of Manitoba

		2004	2003
5.5%	repayable in semi-annual instalments of $232 principal and interest, maturing in 2004	$ 225	$ 444
6%	repayable in semi-annual instalments of $141 principal and interest, maturing in 2004	137	269
9%	repayable in semi-annual instalments of $55 principal and interest, maturing in 2005	51	98
6.875%	repayable in semi-annual instalments of $408 principal and interest, maturing in 2005	1,143	1,499
6.625%	repayable in annual instalments of $167 principal and interest, maturing in 2005	615	757
5.75%	repayable in semi-annual instalments of $495 principal and interest, maturing in 2006	2,275	2,693
5.375%	repayable in semi-annual instalments of $121 principal and interest, maturing in 2006	663	764
4.75%	repayable in semi-annual instalments of $243 principal and interest, maturing in 2006	1,344	1,550
5.625%	repayable in semi-annual instalments of $174 principal and interest, maturing in 2007	1,093	1,232
4.25%	repayable in semi-annual instalments of $179 principal and interest, maturing in 2007	1,307	1,455
4.75%	repayable in semi-annual instalments of $397 principal and interest, maturing in 2008	3,186	3,500
6.425%	repayable in semi-annual instalments of $146 principal and interest, maturing in 2009	1,334	1,434
5.25%	repayable in semi-annual instalments of $159 principal and interest, maturing in 2009	1,622	1,736

5.625%	repayable in semi-annual instalments of $134 principal and interest, maturing in 2009	1,352	1,446
5.125%	repayable in semi-annual instalments of $123 principal and interest, maturing in 2010	1,426	1,510
3.625%	repayable in semi-annual instalments of $149 principal and interest, maturing in 2009	1,355	-
4.875%	repayable in semi-annual instalments of $137 principal and interest, maturing in 2011	1,745	-
5.8%	repayable in annual instalments of $18 principal plus interest, maturing in 2017	249	-
		21,122	20,387
	Amount due within one year	7,946	5,253
		$ 13,176	$ 15,134

Principal repayments in each of the next five years are as follows:

2005	7,946
2006	4,504
2007	3,199
2008	2,454
2009	1,589

As at March 31, 2004, the Financing Authority had $9,956 remaining in loan authority under ***The Loan Act, 2003***. ***The Loan Act, 2004*** received Legislative approval on June 10, 2004. The original loan authority under each of these Acts is:

	The Loan Act, 2004	***The Loan Act, 2003***
for Fleet Vehicles Agency	$7,000	$4,000
for Food Development Centre	-	2,400

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11. Capital lease obligations

The Mail Management Agency and the Property Registry have obligations of $110 and $26 respectively under capital leases. The agreements carry various terms and conditions.

The estimated minimum lease payments which include principal and interest under the capital lease obligations for equipment are as follows:

2005	$59
2006	49
2007	29
	137
Less: imputed interest	1
	136
Less: current portion	58
	$78

---

12. Pension benefits

Employees of SOAs are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act, administered by the Civil Service Superannuation Board (CSSB).

Prior to April 1, 2001, only the Industrial Technology Centre and the Food Development Centre matched their employee's current contributions to the CSSB and had no additional liability under the Act.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the remaining SOAs transferred to the Province the pension liability for their employees.

Commencing April 1, 2001, the SOAs were required to pay to the Province an amount equal to their employees' current pension contributions.

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13. Severance liability

Effective April 1, 1998, SOAs began recording accumulated severance pay benefits for their employees. The estimate of the liability was based on the method of calculation set by the Province of Manitoba.

The Province accepted responsibility for the severance benefits accumulated by SOA employees to March 31, 1998, as well as for the benefits accumulated by employees of the Manitoba Securities Commission to March 31, 1999. Accordingly, the opening severance pay liability balances as at April 1, 1998 calculated at $3,511 and as at April 1, 1999 calculated at $135 were completely offset by a receivable from the Province.

An actuarial valuation report of the severance liability of SOAs was completed as at March 31, 2000. The recorded liability as at March 31, 2000 was restated to $3,676, and the receivable from the Province was restated to $3,412 as a result of the actuarial valuation. There was no effect on the severance benefit expense for the year ended March 31, 2000. The report provides

13. Severance liability (continued)

a formula to update the liability on an annual basis. In accordance with the formula, the actuarial liability of SOAs has been calculated to be $4,431 as at March 31, 2004.

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14. Equity

Contributed equity	2004	2003
Fleet Vehicles Agency	$ 4,284	$ 4,118
Industrial Technology Centre	62	62
Mail Management Agency	51	51
Manitoba Text Book Bureau	550	550
Materials Distribution Agency	1,246	1,246
Office of the Fire Commissioner	11,279	11,279
Pineland Forest Nursery	356	356
	$17,828	$17,662

Effective April 1, 2003, the Radio Services Program within the Desktop, Telecommunications and Network Services Branch of the Department of Transportation and Government Services was transferred to the Fleet Vehicles Agency. This transfer resulted in an increase of $166 in contributed equity.

Retained earnings	2004	2003
Civil Legal Services	$ 714	$ 768
Companies Office	1,940	1,722
Fleet Vehicles Agency	13,622	12,952
Food Development Centre	307	101
Industrial Technology Centre	1,196	1,207
Land Management Services	357	304
Mail Management Agency	338	255
MERLIN	(329)	(334)
Manitoba Securities Commission	3,422	3,299
Manitoba Text Book Bureau	144	126
Materials Distribution Agency	3,963	3,961
Office of the Fire Commissioner	(16)	(463)
Organization and Staff Development	306	373
Pineland Forest Nursery	413	588
The Property Registry	8,325	6,759
The Public Trustee	1,004	668
Vital Statistics Agency	912	632
Financing Authority	2	7
	$36,620	$32,925

15. Reserve funds

The Public Trustee

The Public Trustee has allocated a reserve out of retained earnings to provide for short-term fluctuations in revenue due to changes in revenue patterns or extraordinary expenses. The balance of the reserve at March 31, 2004 is $500 (2003 - $500).

Manitoba Securities Commission

The Manitoba Securities Commission has allocated a reserve out of retained earnings to provide for extraordinary regulatory expenses and changes in market activity affecting revenue. The intent is to fund the reserve over four years to an accumulated balance of $1,000. The balance of the reserve at March 31, 2004 is $1,000 (2003 - $1,000).

16. Commitments

Commitments for SOAs with building lease agreements at March 31, 2004 total $9,268 (2003 - $9,900). Estimated minimum lease payments for each of the next five years are as follows:

2005	$1,985
2006	1,389
2007	1,383
2008	1,370
2009	1,413

Other commitments entered into by SOAs are as follows:

Manitoba Text Book Bureau	Provision of warehousing and distribution services	$ 188
Office of the Fire Commissioner	Vehicle lease agreements	459
The Property Registry	Equipment lease agreements	380
		$1,027

17. Estates and trusts under administration

The Public Trustee has statutory responsibility for administering clients' estates and trusts. The client assets under administration at March 31, 2004 total approximately $172,000 (2003 - $168,000). The trust activities of The Public Trustee are reported in separate audited financial statements for Estates and Trusts under Administration.

18. Public sector compensation

No employee of the Financing Authority received compensation of $50 or more during the year ended March 31, 2004.

Compensation information for each SOA is disclosed in the notes to their audited financial statements.

19. Comparative figures

Comparative figures for the year ended March 31, 2003 have been restated, where appropriate, to conform to the presentation adopted for March 31, 2004.

UNIVERSITY
OF MANITOBA

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The University is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with generally accepted accounting principles as set out by the Canadian Institute of Chartered Accountants (CICA). The University believes the consolidated financial statements present fairly the University's consolidated financial position as at March 31, 2004 and the results of its operations for the year then ended.

The University's Board of Governors is responsible for overseeing the business affairs of the University and also has the responsibility to approve the consolidated financial statements. The Board has delegated certain responsibilities to its Audit Committee including the responsibility for reviewing the annual consolidated financial statements and meeting with management and the Auditor General of Manitoba on matters relating to the financial reporting. The Auditor General has full access to the Audit Committee with or without the presence of management. The Board has approved the consolidated financial statements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from loss and that accounting records are a reliable basis for the preparation of consolidated financial statements. The integrity of internal controls is reviewed on an ongoing basis by Audit Services and the Auditor General.

The consolidated financial statements for the year ended March 31, 2004 have been reported on by the Auditor General of Manitoba, the auditor appointed under the University of Manitoba Act. The Auditor's Report outlines the scope of his examination and provides his opinion on the fairness of presentation of the consolidated financial statements.

Deborah J. McCallum

Deborah J. McCallum,
Vice-President (Administration).

May 28, 2004
Winnipeg, Manitoba

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Board of Governors of The University of Manitoba

We have audited the consolidated statement of financial position of The University of Manitoba as at March 31, 2004 and the consolidated statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2004 and the results of its operations and changes in fund balances and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
May 28, 2004

Jon W. Singleton, CA•CISA
Auditor General

CONSOLIDATED FINANCIAL STATEMENTS

University of Manitoba
Consolidated Statement of Financial Position
as at March 31
(in thousands of dollars)

Assets	*2004*	*2003*
Current Assets		
Cash	$ 10,202	$ 6,862
Short Term Investments	99,975	91,645
Accounts Receivable (Note 3)	50,824	54,677
Inventories	3,669	3,810
Prepaid Expenses	154	101
	164,824	157,095
Long Term Assets		
Loan Receivable	200	
Investments (Note 4)	244,687	229,747
Investment in Subsidiary Companies (Note 5)	93	93
Capital Assets, Net of Accumulated Amortization (Note 7)	409,374	353,536
	654,354	583,376
	$ 819,178	$ 740,471
Liabilities		
Current Liabilities		
Accounts Payable	$ 30,264	$ 26,584
Unearned Revenue	3,790	4,409
Staff Vacation Entitlements	8,300	7,781
Construction Loan		7,636
Current Portion of Capital Lease Obligations (Note 8)	273	257
Current Portion of Long Term Debt (Note 9)	6,393	345
	49,020	47,012
Long Term Liabilities		
Capital Lease Obligations (Note 8)	283	420
Long Term Debt (Note 9)	31,925	8,756
Employee Future Benefits (Note 10)	50,090	51,036
	82,298	60,212
Fund Balances	687,860	633,247
	$ 819,178	$ 740,471

Commitments and Contingencies (Note 15)

Wayne R Anderson

Wayne R. Anderson - Chair

Terry Sargeant - Vice-Chair

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances
for the years ended March 31
(in thousands of dollars)

	General Funds (Note 2e)	*Restricted Funds (Note 2f)*	*Endowment Fund (Note 2g)*	*2004 Total Funds*	*2003 Total Funds*
Revenue:					
Tuition and Related Fees	$ 83,517	$	$	$ 83,517	$ 79,126
Contributions, Donations, Non-Government Grants	936	51,344	9,906	62,186	60,931
Investment Income	2,897	8,741		11,638	9,782
Miscellaneous Income	1,481	63		1,544	1,159
Government Grants:					
Council on Post-Secondary Education	205,969	12,838		218,807	208,341
Other Province of Manitoba	1,895	19,577		21,472	26,459
Government of Canada	6,482	59,094		65,576	64,738
Sales of Goods and Services	20,228			20,228	20,538
Ancillary Enterprises	27,871			27,871	26,322
	351,276	151,657	9,906	512,839	497,396
Expense:					
Academic	195,176	91,567		286,743	269,074
Libraries	13,027	56		13,083	11,957
Student Services	14,452	718		15,170	13,895
Administration	19,617	1,992		21,609	19,214
Plant Maintenance	28,712	50		28,762	28,509
Other Academic Support	16,361	505		16,866	16,135
General	4,489	2,671		7,160	6,798
Property Taxes	6,900			6,900	9,051
Scholarships, Bursaries, Prizes and Awards		7,198		7,198	7,621
Interest on Bank Loan, Capital Advances and Capital Lease Obligations		2,882		2,882	797
Amortization of Capital Assets		27,877		27,877	25,418
Ancillary Enterprises	23,664			23,664	23,869
Staff Benefits Contra	312			312	(3,026)
	322,710	135,516		458,226	429,312
Net Revenue	28,566	16,141	9,906	54,613	68,084
Inter-Fund Transfers (Note 12)	(34,499)	33,079	1,420		
Net (Decrease) Increase to Fund Balances	(5,933)	49,220	11,326	54,613	68,084
Fund Balances Beginning of the Year	14,647	533,948	84,652	633,247	565,163
Fund Balances End of the Year	$ 8,714	$ 583,168	$ 95,978	$ 687,860	$ 633,247
Unrestricted Funds	$ (42,719)	$	$	$ (42,719)	$ (38,614)
Internally Restricted Funds	51,064	29,371		80,435	81,049
Externally Restricted Funds	369	172,971	95,978	269,318	246,425
Invested in Capital Assets		380,826		380,826	344,387
	$ 8,714	$ 583,168	$ 95,978	$ 687,860	$ 633,247

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the General Funds
for the years ended March 31
(in thousands of dollars)

	General Operating Fund (Note 2e)	*Specific Provisions Fund (Note 2e)*	*Expenses Funded From Future Revenues (Note 2e)*	*2004 Total General Funds*	*2003 Total General Funds*
Revenue:					
Tuition and Related Fees	$ 83,517	$	$	$ 83,517	$ 79,126
Contributions, Donations, Non-Government Grants	936			936	540
Investment Income	2,897			2,897	2,590
Miscellaneous Income	1,481			1,481	1,078
Government Grants:					
Council on Post-Secondary Education	205,969			205,969	198,211
Other Province of Manitoba	1,895			1,895	2,005
Government of Canada	6,482			6,482	6,098
Sales of Goods and Services	20,228			20,228	20,538
Ancillary Enterprises	27,871			27,871	26,322
	351,276			351,276	336,508
Expense:					
Academic	195,176			195,176	184,086
Libraries	13,027			13,027	11,897
Student Services	14,452			14,452	13,335
Administration	19,617			19,617	17,471
Plant Maintenance	28,712			28,712	28,498
Other Academic Support	16,361			16,361	15,704
General	4,489			4,489	3,785
Property Taxes	6,900			6,900	9,051
Ancillary Enterprises	23,664			23,664	23,869
Staff Benefits Contra	312			312	(3,026)
	322,710			322,710	304,670
Net Revenue	28,566			28,566	31,838
Inter-Fund Transfers (Note 12)	(28,469)	(1,828)	(4,202)	(34,499)	(13,023)
Net Increase (Decrease) to Fund Balances	97	(1,828)	(4,202)	(5,933)	18,815
Fund Balances Beginning of the Year	1,703	53,261	(40,317)	14,647	(4,168)
Fund Balances End of the Year	$ 1,800	$ 51,433	$ (44,519)	$ 8,714	$ 14,647
Unrestricted Funds	$ 1,800	$	$ (44,519)	$ (42,719)	$ (38,614)
Internally Restricted Funds		51,064		51,064	53,261
Externally Restricted Funds		369		369	
	$ 1,800	$ 51,433	$ (44,519)	$ 8,714	$ 14,647

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the Restricted Funds
for the years ended March 31
(in thousands of dollars)

	Capital Asset Fund (Note 2f)	*Research and Special Fund (Note 2f)*	*Staff Benefits Fund (Note 2f)*	*Trust Fund (Note 2f)*	*2004 Total Restricted Funds*	*2003 Total Restricted Funds*
Revenue:						
Contributions, Donations, Non-Government Grants	$ 6,723	$ 34,144	$ 1,002	$ 9,475	$ 51,344	$ 50,789
Investment Income	190		1,285	7,266	8,741	7,192
Miscellaneous Income			33	30	63	81
Government Grants:						
Council on Post-Secondary Education	12,838				12,838	10,130
Other Province of Manitoba	4,215	15,362			19,577	24,454
Government of Canada	4,112	54,982			59,094	58,640
	28,078	104,488	2,320	16,771	151,657	151,286
Expense:						
Academic		91,567			91,567	84,988
Libraries		56			56	60
Student Services		718			718	560
Administration		1,992			1,992	1,743
Plant Maintenance		50			50	11
Other Academic Support		505			505	431
General			2,067	604	2,671	3,013
Scholarships, Bursaries, Prizes and Awards				7,198	7,198	7,621
Interest on Bank Loan, Capital Advances and Capital Lease Obligations	2,882				2,882	797
Amortization of Capital Assets	27,877				27,877	25,418
	30,759	94,888	2,067	7,802	135,516	124,642
Net (Expense) Revenue	(2,681)	9,600	253	8,969	16,141	26,644
Inter-Fund Transfers (Note 12)	39,120	(5,716)	3,521	(3,846)	33,079	11,570
Net Increase to Fund Balances	36,439	3,884	3,774	5,123	49,220	38,214
Fund Balances Beginning of the Year	344,387	60,930	12,108	116,523	533,948	495,734
Fund Balances End of the Year	$ 380,826	$ 64,814	$ 15,882	$ 121,646	$ 583,168	$ 533,948
Internally Restricted Funds	$	$	$ 5,451	$ 23,920	$ 29,371	$ 27,788
Externally Restricted Funds		64,814	10,431	97,726	172,971	161,773
Invested in Capital Assets	380,826				380,826	344,387
	$ 380,826	$ 64,814	$ 15,882	$ 121,646	$ 583,168	$ 533,948

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Cash Flows
as at March 31
(in thousands of dollars)

	General Funds	*Restricted Funds*	*Endowment Fund*	*2004 Total Funds*	*2003 Total Funds*
Cash from Operating Activities:					
Excess of Revenue over Expense	$ 28,566	$ 16,141	$ 9,906	$ 54,613	$ 68,084
Amortization of Capital Assets		27,877		27,877	25,418
	28,566	44,018	9,906	82,490	93,502
Net Change in Non-Cash Working Capital Items	13,659	(6,138)		7,521	(7,340)
Net Change in Employee Future Benefits	3,683	(4,629)		(946)	(4,050)
Net Cash Generated through Operating Activities	45,908	33,251	9,906	89,065	82,112
[illegible]esting Activities:					
Increase in Long-Term Investments		(3,614)	(11,326)	(14,940)	(7,837)
Increase in Loan Receivable	(200)			(200)	
Purchase of Capital Assets		(83,715)		(83,715)	(75,418)
Net Cash Used in Investing Activities	(200)	(87,329)	(11,326)	(98,855)	(83,255)
Financing Activities:					
Proceeds from Capital Lease Obligations		232		232	48
Proceeds from Long Term Debt		22,564		22,564	1,500
Proceeds from Construction Loan					7,636
Principal Repayment on Capital Lease Obligations		(353)		(353)	(239)
Principal Repayment on Long Term Debt		(983)		(983)	(2,977)
Net Cash Generated in Financing Activities		21,460		21,460	5,968
Net Increase (Decrease) in Cash	45,708	(32,618)	(1,420)	11,670	4,825
Inter-Fund Adjustments	(34,499)	33,079	1,420		
Cash Beginning of Year	37,749	60,758		98,507	93,682
Cash End of Year	$ 48,958	$ 61,219	$	$ 110,177	$ 98,507
Cash is defined as:					
Cash	$ 4,759	$ 5,443	$	$ 10,202	$ 6,862
Investments	44,199	55,776		99,975	91,645
	$ 48,958	$ 61,219	$	$ 110,177	$ 98,507

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars)

1. AUTHORITY AND PURPOSE

The University of Manitoba was established in 1877. It is governed by a Board of Governors acting under the authority of The University of Manitoba Act, R.S.M. 1987, c. U60. The University of Manitoba is a registered charity and is exempt from income taxes under Section 149 of the Income Tax Act.

The University of Manitoba, as the largest and most comprehensive institution of higher learning in Manitoba, plays a distinctive role within the Province. In addition to offering an undergraduate liberal education in arts, science and education, the University of Manitoba provides programs in a broad range of professional studies, applied sciences and the fine and performing arts and is responsible for the vast majority of graduate education and research in Manitoba. The University of Manitoba reaches out to a variety of constituencies in order to enhance the health, cultural, social and economic life of Manitobans and to provide lifelong learning opportunities for them. Through community service the University makes its expertise available to all Manitobans.

2. SIGNIFICANT ACCOUNTING POLICIES

a. General

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles as recommended by the Canadian Institute of Chartered Accountants ("CICA") for not-for-profit organizations. The University has adopted the restricted fund method of accounting for contributions.

b. Basis of Consolidation

The consolidated financial statements include the accounts of Smart Park Development Corporation, a wholly owned subsidiary of the University of Manitoba. The company has a March 31 year end and its purpose is to market and promote the development of a research park at the University of Manitoba.

c. Fund Accounting

The University classifies resources used for various purposes into separate Funds which correspond to its major activities and objectives. The Consolidated Statement of Financial Position combines the assets and liabilities of all Funds.

The University maintains its Funds under three fund categories, General, Restricted and Endowment Funds. The General Funds include the Funds for General Operating, Specific Provisions and Expenses Funded from Future Revenues. The Restricted Funds include the Capital Asset, Research and Special, Staff Benefits and Trust Funds. The Endowment Fund includes endowment funds of the University.

d. Accounting Estimates

Accounting estimates are included in financial statements to approximate the effect of past revenue or expense transactions or events, or to approximate the present status of an asset or liability. Examples include accruals for property taxes not yet assessed and the estimated useful life of an asset. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

e. General Funds

General Operating Fund:

The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, investment and miscellaneous income, sales of goods and services to external parties and ancillary income. As such, this Fund reports unrestricted resources and restricted resources earmarked for general operating purposes.

All funds received or accrued by the University for general operating purposes and for equipment and renovation expenses not meeting the University's capitalization criteria are included in the General Operating Fund. The net cost of operating units is determined by including internal cost allocations for certain centrally administered services such as the telephone system in the units' expenses and by deducting these expenses as internal cost recoveries from the total expenses incurred by the unit administering these services.

The University Book Store, Parking, Student Residences and Pharmacy/Post Office are classified as Ancillary Enterprises and are budgeted on a break-even basis. Any surpluses or deficits are unrestricted and are maintained within the General Operating Fund. Overhead costs have been allocated to all ancillary operations. The replacement or improvement of capital assets for these ancillaries is funded by an annual appropriation to the Specific Provisions Fund. Amortization of ancillary capital assets and interest expense is recorded in the Capital Asset Fund.

Academic and administrative units also generate revenues through the sale of goods and services to individuals, companies and organizations external to the University. The revenues earned are unrestricted resources and are reflected in the General Operating Fund.

Specific Provisions Fund:
The Specific Provisions Fund records appropriations made from (to) the General Operating, Capital Asset and Research and Special Funds.

These appropriations are made to provide future funding for the replacement, improvement or emergency maintenance of capital assets, or other matters, including a fiscal stabilization provision to offset potential spending in excess of future budgets. Such appropriations are shown as inter-fund transfers on the Consolidated Statement of Operations and Changes in Fund Balances.

Expenses Funded From Future Revenues:
Expenses Funded from Future Revenues records the amount of unpaid vacation pay for permanent non-academic staff which will be funded from future revenues. It also records the actuarially determined expense for employee future benefits.

f. Restricted Funds

Capital Asset Fund:
The Capital Asset Fund consists of restricted contributions resulting from capital asset co-funding arrangements with external parties, contributed capital assets, sinking fund investment income and government grants, restricted for the purpose of acquiring capital assets and retiring capital advances. Expenses include interest on debt relating to the acquisition or construction of capital assets, amortization and gains or losses on disposal of capital assets, including write downs resulting from obsolescence.

Research and Special Fund:
The Research and Special Fund consists of contributions specifically restricted for research or other special activities. Contributions are provided from both federal and provincial granting agencies and other public and private sources. These funds are spent in accordance with the conditions stipulated in the governing contracts and agreements.

Staff Benefits Fund:
The Staff Benefits Fund is divided into Fund Accounts for Pension Reserve, Self-Insured Plans and Benefit Reserve, the revenues of which are restricted for the purposes noted.

(i) Pension Reserve:
This Fund Account is restricted for special payments towards any unfunded liability of The University of Manitoba Pension Plans (1970) and (1993) and other pension obligations.

(ii) Self-Insured Plans:
This Fund Account records the assets and liabilities for two self-insured benefit plans, the Long Term Disability Income Plan and the Dental Plan. The Long Term Disability Income Plan is used for long term disability payments arising on and after June 1, 1981 for eligible staff. The Plan contains two funds, one for the payment of Basic Benefits and another for the payment of Cost-of-Living Benefits. The Dental Plan is administered by a contracted third party. Surplus funds are held for the purpose of covering deficits which may occur in this self-insured plan.

(iii) Benefit Reserve:
This Fund Account is used for the support of current and future staff benefit programs. Experience refunds related to the group insurance plans are credited to this Fund Account. Employment Insurance premium savings resulting from the extended sick leave coverage provided by the University are also credited to this Fund Account.

Trust Fund:
The Trust Fund records gifts and bequests received which may be used in their entirety along with net investment income earned on these funds, according to donor restrictions. The majority of these funds are used for scholarships, bursaries, awards, loans, and other scholarly activities.

g. Endowment Fund

The Endowment Fund records gifts and bequests received with the stipulation that these funds be invested in perpetuity and the income earned be utilized for designated purposes. In certain cases, the donor requires that a portion of the current investment income also be capitalized. As such, these funds are added to the capital account of the endowment.

h. Revenue Recognition

Restricted contributions relating to general operations are recognized as revenue of the General Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted Fund when received or receivable.

Unrestricted contributions, including sales of goods and services and ancillary revenues, are recognized as revenue of the General Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Investment income earned on temporary surplus funds, with the exception of trust and endowment funds, is recorded as unrestricted income in the General Operating Fund.

Contributions for endowment purposes are recognized as revenue in the Endowment Fund in the year received. Investment income earned on endowments is recorded in the appropriate Fund depending on the restrictions imposed by the original donor.

i. Contributed Materials and Services

Gifts-in-kind for materials other than capital assets are recorded in the consolidated financial statements to the extent that they are eligible for an official donation receipt, since this results in the capture of the information in the University's financial records.

Because of the difficulty involved in tracking and recording contributed services, however, the market value of these services are not recognized in the consolidated financial statements. Contributed services include activities such as membership on the University's Board of Governors and its various committees, lecturing services and volunteer services at fund raising or sporting events all of which are performed by staff, students and the community at no charge to the University. These services, although not recognized in the consolidated financial statements, are critical to the successful functioning of the University.

j. Investments

All investments are recorded at cost. All investment income is recorded on an accrual basis. Realized gains on sales of investments are recognized in the year of disposal. Losses are recognized in the year of disposal or when there is a loss in value of the investment that is deemed to be other than temporary.

Temporary surplus cash is invested in the short term money market.

Trust and endowment funds are invested in either the University Investment Trust ("UIT") or the Specific Trusts. The UIT is pooled for investment purposes. Within the UIT individual capital accounts are unitized, in order to improve the protection of the real value of capital balances against inflation and to facilitate the equitable distribution of income based on the number of units. A new market value per unit is determined monthly. Capital contributions and withdrawals are based on the current market value per unit. Trust and endowment funds held in the UIT are invested in fixed income securities and in the equity markets. These investments are professionally managed and held in the custody of an independent company. The Specific Trust funds are not pooled, but are invested individually in fixed income securities.

Staff benefits funds are invested in pooled funds in the fixed income securities and equity markets. These investments are professionally managed and held in the custody of an independent company.

k. Pledges Receivable

The University does not record pledges receivable in its consolidated financial statements. Revenue from gifts, bequests and donations is recognized on a cash basis because of the uncertainty surrounding collection and in some instances because of the difficulty in determining the valuation of pledges receivable. The University recognizes gifts and donations to be received through the University of Manitoba Foundation U.S.A. Inc. only when the Board of Directors of the Foundation have formalized the transfer with a resolution, collectibility is reasonably assured and the valuation of these gifts and donations can be reasonably determined.

l. Inventories

Inventories have been valued at the lower of cost and replacement cost.

m. Capital Assets

Purchased capital assets are recorded at cost. Capital assets which are constructed by the University are recorded as Construction in Progress until the capital asset is put into use. Contributed capital assets are recorded at market value at the date of contribution. Intangibles such as patents and copyrights are recorded at a nominal amount of one dollar in the year the patent or copyright is obtained.

Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Buildings and Major Renovations	15-50 years
Computer Hardware, Software and Electronics	5-10 years
Furniture and Equipment	10 years
Library Books	10 years
Parking Lots	20 years
Vehicles	5 years

Equipment acquired under a capital lease is amortized over the term of the lease. Works of art, treasures, rare books and manuscripts are not amortized. Capital assets acquired or constructed and put into use during the fiscal year are amortized at one-half of the applicable rate.

n. Collections

The University holds a number of collections which have been donated to its libraries, faculties and schools over the years. The library, faculty or school receiving the donation assumes responsibility for safeguarding and preserving the collection. The University seldom, if ever, disposes of its collections or of individual pieces in its collections and therefore does not have a formal policy with respect to the use of proceeds of disposal. However, the University abides by all restrictions placed by donors at the time a donation is received, which may include restrictions imposed relating to the sale of a collection or items contained therein.

The University's policy with regard to its collections is to fund maintenance expenses from the General Operating Fund, if monies are not available for such purposes in a Restricted Fund. The cost of maintenance is not tracked and is therefore not determinable.

o. Pension Costs

The cost of pension benefits earned by employees who are members of the University of Manitoba Pension Plan (1970) and the University of Manitoba Pension Plan (1993) is determined actuarially using the projected unit credit actuarial cost method and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. Pension costs for The University of Manitoba GFT Pension Plan (1986) are based on the contributions required of the University by that Plan.

p. Financial Instruments

The financial instruments at the University consist of cash, short term investments, accounts receivable, long term investments, accounts payable and long term debt. Unless otherwise noted, it is management's opinion that the University is not exposed to significant interest, currency, market or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values, unless otherwise disclosed.

q. Employee Future Benefits

The University accrues its obligations for employee future benefit plans relating to health, dental, long term disability and group life insurance. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

r. Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rate. Revenues and expenses are translated at exchange rates on the transaction dates. Gains or losses arising from these translations are included in earnings.

s. Interest Rate Swaps

An interest rate swap is a derivative financial contract between two parties who agree to exchange fixed rate interest payments for floating rate payments on a predetermined notional amount and term. From time to time, the University enters into interest swap agreements in order to manage the interest rate exposure associated with certain debt obligations. Because long term swap agreements effectively and completely hedge the underlying short term debt obligations, the University reflects the obligations as long term debt in the financial statements.

(in thousands of dollars)

3. ACCOUNTS RECEIVABLE

	2004	2003
Council on Post-Secondary Education	$ 1,346	$ 2,291
General	23,700	26,690
Research and Special	25,778	25,696
	$ 50,824	$ 54,677

4. INVESTMENTS

The fair values and book values of investments as at March 31 are:

	2004 Fair Value	2004 Book Value	2003 Book Value
Trust & Endowment			
Bankers Acceptance, Guaranteed Investment Certificates and Cash	$ 16,953	$ 16,953	$ 14,261
Bonds and Other Fixed Income Securities:			
Government of Canada	21,144	20,895	15,550
Province of Manitoba	3,439	3,331	3,331
Other Provincial	5,864	5,558	2,549
Municipal	2,805	2,575	2,575
Corporate	24,001	22,572	19,985
Other	5,085	4,912	3,702
	62,338	59,843	47,692
Equities:			
Canadian Equities	64,708	52,602	52,765
US Equities	38,184	41,162	40,772
International Equities	40,140	42,361	41,690
	143,032	136,125	135,227
	222,323	212,921	197,180
Capital*			
Bankers Acceptance, Guaranteed Investment Certificates and Cash	6	6	72
Province of Manitoba Bonds			410
Other Provincial Bonds	2,013	2,007	1,476
	2,013	2,007	1,886
	2,019	2,013	1,958
Staff Benefits			
Money Market Fund and Cash	441	441	400
Bonds	10,821	9,905	9,327
Equities:			
Canadian Equities	8,185	6,350	6,968
US Equities	4,606	5,161	5,596
International Equities	4,846	4,999	5,580
	17,637	16,510	18,144
Mortgage Fund	3,088	2,897	2,738
	31,987	29,753	30,609
Total Investments	$ 256,329	$ 244,687	$ 229,747

**Represents Sinking Fund Assets on Deposit with the Province of Manitoba, which are held to retire the Urgent Project Capital Advances as described in Note 9.*

5. INVESTMENT IN SUBSIDIARY COMPANIES

University of Manitoba Research Ltd., incorporated under the Manitoba Corporations Act, is a wholly-owned subsidiary of the University. University of Manitoba Research and Development Corporation is a wholly-owned subsidiary of University of Manitoba Research Ltd. Both subsidiary companies have a March 31 year end and were inactive during the 2003/04 fiscal year. The consolidated net income (loss) of University of Manitoba Research Ltd. is recorded in the Research and Special Fund in the Consolidated Statement of Operations and Changes in Fund Balances.

Small Business Law Clinic (MB) Inc. is a wholly-owned not-for-profit corporation without share capital. The purpose of the corporation is to operate a clinic, whereby students from the Faculty of Law may develop skills that are prerequisite to a successful solicitor-client relationship and in the process, assist community-based entrepreneurs and small business owners by dispensing legal information at a nominal cost. The company is exempt from income taxes under Section 149 of the Income Tax Act.

6. ECONOMIC INTEREST IN RELATED ENTITIES

a. The University of Manitoba Foundation U.S.A. Inc.

The University has an economic interest in the University of Manitoba Foundation U.S.A. Inc. ("the Foundation") which is an Illinois Not-For-Profit Corporation incorporated in December 1989. The Foundation's purpose is exclusively charitable, literary, scientific and educational and its activities include the promotion, encouragement, aid and advancement of higher education, research and training in the Province of Manitoba, in Canada and elsewhere. The Foundation is exempt from U.S.A. Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code.

The Board of Directors of the Foundation is an independent board whose members direct and guide the Foundation's actions. Members on the Board include, among others, certain senior staff of the University of Manitoba. The University of Manitoba, however, is one of many universities eligible to receive aid from the Foundation. The University must make application to the Foundation's Board of Directors to request funds, which may or may not be granted. The University's economic interest therefore is beneficial, as gifts and donations which are solicited by the Foundation may be transferred to the University of Manitoba from time to time.

b. Biovar Life Support Inc.

The University has a 25% interest in Biovar Life Support Inc. ("Biovar") which is a profit-oriented company with a June 30 year end. The University accounts for its investment in Biovar utilizing the cost method as it does not have significant influence in the management and/or direction of the company.

7. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2004		2003	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Assets Under Capital Lease	$ 3,450	$ 2,989	$ 3,239	$ 2,741
Buildings and Major Renovations	369,693	101,730	317,984	94,625
Computer Hardware, Software and Electronics	94,555	69,022	89,299	67,351
Construction in Progress	14,351		18,342	
Furniture and Equipment	118,273	69,517	107,720	65,704
Land	10,181		9,873	
Library Books	110,518	76,106	101,442	70,914
Parking Lots	2,112	217	1,338	131
Rare Books and Manuscripts	3,766		3,688	
Vehicles	5,650	4,514	5,524	4,247
Works of Art	920		800	
	733,469	324,095	659,249	305,713
Less Accumulated Amortization	324,095		305,713	
Net Book Value	$ 409,374		$ 353,536	

8. CAPITAL LEASE OBLIGATIONS

Minimum lease payments which includes principal and interest under the capital lease obligations are as follows:

2005	$ 293
2006	209
2007	90
Total Minimum Lease Payments	592
Less: Interest at 5.96%	(36)
	556
Less: Current Portion	(273)
	$ 283

(In thousands of dollars)

9. LONG TERM DEBT

	2004	2003
Province of Manitoba Capital Advances:		
Urgent Projects:		
5 7/8% due May 20, 2007	$ 482	$ 482
7 1/8% due July 27, 2008	706	706
6 7/8% due December 15, 2009	257	257
6 7/8% due March 31, 2011	555	555
	2,000	2,000
Term Loans:		
University Parkade, 6.51%, due July 30, 2004	3,470	3,597
University Parkade, Prime less .75%, due August 1, 2019	803	856
Helen Glass Centre for Nursing, 6.75%, due November 1, 2004	1,017	1,157
*Smartpark Multi Tenant Facility, 6.05% due October 31, 2012	1,464	1,491
*Smartpark Multi Tenant Facility, 5.95% due December 31, 2013	3,200	
	9,954	7,101
Bankers Acceptances with Interest Rate Swaps:		
Arthur V. Mauro Student Residence, 5.92% due September 5, 2028	16,851	
Energy Performance Program, 4.31%, due November 10, 2009	9,513	
	26,364	
	38,318	9,101
Less: Current Portion		
- Term Loans	(4,569)	(345)
- Bankers Acceptances	(1,824)	
	(6,393)	(345)
	$ 31,925	$ 8,756

**Represents debt of Smartpark Development Corporation.*

The University entered into an interest rate swap agreement whereby the University has fixed a swap rate of 5.92% on a 25 year loan for the Arthur V. Mauro Student Residence. The stamping fee is committed until September 1, 2013. Under the terms of the agreement, the University is required to make monthly principal and interest repayments similar to a conventional amortizing loan. The notional principal underlying this swap agreement amounted to $16,851 as at March 31, 2004.

On March 31, 1997, the University entered into an energy performance contract with MCW Energy Reduction Services Ltd. ("MCW"). Under the terms of a Tri-Party agreement, the University agreed to the assignment by MCW to BNP Paribas Bank of all right, title and interest in payment of monies by the University under the energy performance contract. On November 12, 2003 the University terminated the Tri-Party agreement and paid out the loan to BNP Paribas in the amount of $9,985. This payout was financed by entering into a six year interest rate swap agreement whereby the University has fixed a swap rate of 4.31%. Under the terms of this agreement, the University is also required to make monthly principal and interest payments. The notional principal underlying this agreement amounted to $9,510 as at March 31, 2004. The stamping fee is committed until November 10, 2004.

The University's exposure to interest rate risk is managed through the use of these swap agreements.

Principal repayments on long term debt payable over the next five years are as follows:

	Capital Advances	Term Loans	Bankers Acceptances	Total
2005	$	$ 4,569	$ 1,824	$ 6,393
2006		83	1,909	1,992
2007		85	2,001	2,086
2008	482	87	2,094	2,663
2009	706	89	2,195	2,990
Thereafter	812	5,041	16,341	22,194
	$ 2,000	$ 9,954	$ 26,364	$ 38,318

(in thousands of dollars)

10. EMPLOYEE FUTURE BENEFITS

The University of Manitoba provides certain health, dental, and group life benefits for its retired employees and long term disability benefits for current employees.

The current year benefit expense for existing and future retirees of the University is $2,261 (2003, income of $2,032).

The accrued benefit obligation relating to these defined benefit plans is $50,090 as at March 31, 2004 (2003, $51,036). The plan assets relating to these defined benefit plans is $18,650 as at March 31, 2004 (2003, $18,719). The type of assets held are disclosed in Note 4.

In the current year, expected claims for extended health and dental benefits were based on the actual rates in effect as of April 1, 2003. Claims cost for extended health benefits were assumed to increase at an annual rate of 8% for the next 10 years and at a rate of 5% thereafter. Claims cost for dental benefits were assumed to increase at an annual rate of 6% for the next 5 years and at an annual rate of 4% thereafter. Group life benefits are expected to increase at a rate of 2.5% per annum. Further, in measuring the University's accrued benefit obligation, the actuary assumed a discount rate of 6.25%.

Other information about the University's defined benefit plan is as follows:

Employer contribution	$2,444
Employees' contributions	$ 906
Benefits Paid	$4,514
Expected return on plan assets	6.25%

11. INTER-FUND ADVANCES AND LOANS

Inter-Fund advances and loans at March 31 are as follows:

	2004	2003
General Operating Fund:		
Due from (to) Trust	$ (662)	$ 36
Due from Capital Asset	11,120	15,663
	$ 10,458	$ 15,699
Capital Asset Fund:		
Due to Operating	$ (11,120)	$ (15,663)
Trust Fund:		
Due from (to) Operating	$ 662	$ (36)

12. INTER-FUND TRANSFERS

Inter-Fund transfers at March 31 are as follows:

	General Operating	Specific Provisions	Expenses Funded From Future Revenues	Capital Asset	Research and Special	Staff Benefits	Trust Fund	Endowment Fund
Employee Future Benefits	$ (946)	$	$ (3,683)	$	$	$ 4,629	$	$
Net Change in Vacation Pay Liability	519		(519)					
Benefit Premiums Net of Employer Contributions for Staff Benefits	1,108					(1,108)		
Appropriations for Specific Provisions:								
Capital Asset Replacements & Improvements	(3,835)	3,835						
Fiscal Stabilization, Net	914	(723)		(191)				
Unit Carryovers, Special Projects & Initiatives	(4,825)	4,825						
Funding of Capital Asset Additions	(24,232)	(8,223)		37,978	(4,274)		(1,249)	
Long Term Debt Repayments	(1,622)			1,691	(69)			
Student Contributions to University Development Funds	(1,057)			86			432	539
Scholarships, Bursaries & Prizes	(800)	(100)					900	
Other Net Transfers	(112)			(430)	(802)		463	881
Funding of Building on Strengths Campaign	1,097	(1,097)						
Overhead Recoveries	1,533				(1,533)			
Funding of General Operating Expenses	3,789	(345)		(14)			(3,430)	
Funding of Research Projects					962		(962)	
March 31, 2004	$ (28,469)	$ (1,828)	$ (4,202)	$ 39,120	$ (5,716)	$ 3,521	$ (3,846)	$ 1,420
March 31, 2003	$ (31,090)	$ 10,305	$ 7,762	$ 25,515	$ (5,036)	$ (5,271)	$ (3,638)	$ 1,453

(In thousands of dollars)

13. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed capital equipment and library books of $1,132 (2003, $2,352).

14. PENSION PLANS

The University of Manitoba administers the University of Manitoba Pension Plan (1970), The University of Manitoba GFT Pension Plan (1986) and The University of Manitoba Pension Plan (1993). These are trusteed pension plans. The Trustees are responsible for the custody of the Plans' assets and issuance of annual financial statements, which do not form part of the University's financial statements.

The University of Manitoba Pension Plan (1970) and University of Manitoba Pension Plan (1993) are both money purchase plans with a defined benefit minimum. The funding for the plans requires a matching contribution from the University and the employees. The surplus from the Plans and the matching contribution is adequate to fund the Plan and the current level of funding satisfies the requirements of the Manitoba Pensions Benefit Act.

The actuarial present value of accrued pension benefits has been determined using the projected unit credit actuarial cost method, and assumptions developed by reference to expected long-term market conditions. An actuarial valuation effective December 31, 2001 was completed in 2002 by Eckler Partners Ltd., a firm of consulting actuaries. The results of this valuation have been extrapolated by Eckler Partners Ltd. to December 31, 2003. As at December 31, 2003, the University of Manitoba Pension Plan (1970) and The University of Manitoba Pension Plan (1993) were in an actuarial surplus of $809 (2002, $774) and $17,074 (2002, $4,448), respectively. The University cannot access this surplus and as a result, no asset has been recorded.

The actuarial present value of benefits as at December 31 and the principal components of changes in actuarial present values during the year, were as follows:

	2003		2002	
	1993 Plan	1970 Plan	1993 Plan	1970 Plan
Actuarial present value of accrued pension benefits at beginning of year	$ 687,963	$ 14,788	$ 665,110	$ 14,492
Interest accrued on benefits	50,476	1,386	36,561	384
Benefits accrued	25,881	1,218	22,422	1,211
Benefits paid	(31,947)	(1,012)	(36,541)	(1,300)
Actuarial gain/loss	521		411	1
Actuarial present value of accrued pension benefits at end of year	$ 732,894	$ 16,380	$ 687,963	$ 14,788

The significant long-term assumptions used in the valuation of the accrued pension benefits were a rate of return on assets of 7% per annum, a general rate of salary increase of 2.5% for the first two years and 5% thereafter, and a 6% interest assumption on the basis for converting member accumulations into annuities. However, in preparing the extrapolation the investment return used for 2002 and 2003 was 2.73% and 9.31% respectively, being the rates of return for those years based on the actuarial asset values.

The actuarial value of net assets available for benefits, has been determined using a five year moving average fair value method. Under this method, the fair value is the underlying basis, but capital gains and losses are amortized over a five year period.

The fair and actuarial values of net assets available for benefits as at December 31 were as follows:

	2003		2002	
	1993 Plan	1970 Plan	1993 Plan	1970 Plan
Fair value of net assets available for benefits	$ 782,439	$ 17,933	$ 692,411	$ 15,562
Fair value changes not reflected in the actuarial value of net assets	(32,471)	(744)		
Actuarial value of net assets available for benefits	$ 749,968	$ 17,189	$ 692,411	$ 15,562

The University recognized expenses equal to its contributions of $11,849 (2003, $10,806) for the 1970 Plan and for the 1993 Plan for the year ended March 31, 2004. Employee contributions matched the employer contributions.

The next full actuarial valuation of the Plans will be effective December 31, 2003 and will be completed in 2004.

The University of Manitoba GFT Pension Plan (1986) is a defined contribution pension plan, therefore, there is no requirement for an actuarial valuation of this Plan. The University's contributions to this Plan were $1,345 in 2004 (2003 $1,331).

15. COMMITMENTS AND CONTINGENCIES

The University of Manitoba is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE). CURIE pools the property damage and public liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment in the event members' premiums and reserves are insufficient to cover losses and expenses. No additional assessment was necessary for the current year.

Contractual commitments relating to construction in progress amount to $5,403 (2003, $13,488).

The University of Manitoba is named as a defendant in litigations where action has commenced or is anticipated. While the ultimate outcome of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that the outcome will not have a material effect on the financial position of the University. No provision has been made in the financial statements in respect of these claims as of March 31, 2004.

16. COMPARATIVE FIGURES

Comparative figures for the year ended March 31, 2003 have been restated, where appropriate, to conform with the presentation adopted for March 31, 2004.

MAGNUS & BUFFIE

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Directors of
Venture Manitoba Tours Ltd.

We have audited the balance sheet of Venture Manitoba Tours Ltd. as at March 31, 2004 and the statements of operations and deficit and cash flow for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2004 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

May 13, 2004

CHARTERED ACCOUNTANTS

1810 - 444 ST. MARY AVENUE · WINNIPEG, MANITOBA · R3C 3T1 · PHONE (204) 942-4441 · FAX (204) 944-0400

VENTURE MANITOBA TOURS LTD.
BALANCE SHEET
MARCH 31, 2004

	2004	2003
ASSETS		
CURRENT ASSETS		
Cash	$ 10,551	$ -
Accounts receivable	75,968	41,032
Inventories	153,930	169,842
Prepaid expenses	39,991	37,210
	280,440	248,084
PROPERTY AND EQUIPMENT (Note 4)	5,485,321	6,125,719
	$ 5,765,761	$ 6,373,803
LIABILITIES		
CURRENT LIABILITIES		
Cheques issued in excess of cash on hand	$ -	$ 49,500
Bank loan (Note 5)	8,150,000	7,685,000
Accounts payable and accrued liabilities	845,973	543,954
Advance deposits	101,406	102,109
Current portion of long term debt (Note 6)	22,000	22,000
Current portion of capital lease obligation (Note 7)	144,900	159,000
Advances from the Province of Manitoba, repayable on demand	250,000	250,000
	9,514,279	8,811,563
LONG TERM DEBT (Note 6)	26,708	48,355
CAPITAL LEASE OBLIGATION (Note 7)	338,356	476,827
	9,879,343	9,336,745
SHAREHOLDERS' DEFICIT		
CAPITAL STOCK (Note 8)	3,643,500	3,643,500
CONTRIBUTED SURPLUS	257,910	257,910
(DEFICIT)	(8,014,992)	(6,864,352)
	(4,113,582)	(2,962,942)
BASIS OF PRESENTATION (Note 2)		
COMMITMENTS (Note 9)		
	$ 5,765,761	$ 6,373,803

APPROVED ON BEHALF OF THE BOARD:

Baker. Director

VENTURE MANITOBA TOURS LTD.
STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
SALES	$ 4,301,652	$ 4,390,000
COST OF SALES	2,954,404	3,052,060
CONTRIBUTION MARGIN (Page 9)	1,347,248	1,337,940
OPERATING EXPENSES (Page 10)	1,441,224	1,357,052
(LOSS) BEFORE THE FOLLOWING	(93,976)	(19,112)
OTHER (EXPENSE) INCOME		
Amortization	(681,405)	(655,563)
Interest	(379,259)	(324,465)
Gain on disposal of property and equipment	4,000	42,546
	(1,056,664)	(937,482)
NET (LOSS) FOR THE YEAR	(1,150,640)	(956,594)
(DEFICIT), beginning of year	(6,864,352)	(5,907,758)
(DEFICIT), end of year	$(8,014,992)	$(6,864,352)

VENTURE MANITOBA TOURS LTD.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Cash receipts from customers	$ 4,266,716	$ 4,443,538
Cash paid to suppliers and employees	(4,081,177)	(4,745,238)
Interest paid	(379,259)	(324,465)
	(193,720)	(626,165)
FINANCING ACTIVITIES		
Bank loan	465,000	1,830,000
Capital lease obligation	(152,571)	(184,280)
Issuance of long term debt	-	41,577
Repayment of long term debt	(21,648)	(12,986)
	290,781	1,674,311
INVESTING ACTIVITIES		
Purchases of property and equipment	(41,010)	(1,061,689)
Proceeds on disposal of property and equipment	4,000	53,675
	(37,010)	(1,008,014)
CHANGE IN CASH	60,051	40,132
CASH, beginning of year	(49,500)	(89,632)
CASH, end of year	$ 10,551	$ (49,500)

1. ORGANIZATION

The Company is incorporated under the Manitoba Corporations Act. The issued shares are owned by the Province of Manitoba.

The Province of Manitoba owns Hecla Golf Course and the Gull Harbour Resort and Conference Centre. The Company operates these facilities under lease agreements with the Province. These facilities are situated in the Hecla Provincial Park and are not subject to realty taxes.

The Province of Manitoba also owns the Falcon Lake Golf Course and Games Area. The Company operates this facility under a lease agreement with the Province of Manitoba. The Company is responsible for the operating costs of the golf course and games area and, in return, will realize the revenue generated by their operations. These facilities are situated in the Whiteshell Provincial Park and are not subject to realty taxes.

The Company is not subject to income tax.

2. BASIS OF PRESENTATION

These financial statements have been prepared using the assumption that the Company will continue operating as a going concern. As the Company has incurred substantial losses resulting in a significant deficit and working capital deficiency, the ability of the Company to continue operating as a going concern is dependent on continued financial support from the Province of Manitoba. Should the Province not continue to provide financial support, the Company may not be able to continue operating as a going concern and the net realizable value of the assets may be substantially less than their carrying values.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Inventories

Inventories are valued at the lower of cost (based on the first-in, first-out method) and net realizable value.

(b) Property and equipment

Property and equipment is recorded at cost less applied grant funds and are amortized over their estimated useful lives based on the straight-line method as follows:

Building additions	40 years
Leasehold improvements	5 to 40 years
Furniture and fixtures	10 years
Staff quarters	10 to 25 years
Parking lot	25 years
Golf course improvements	10 to 40 years
Computer equipment	3 years
Vehicles	3 years
Equipment under capital lease	5 years

These financial statements do not include the property and equipment of the Hecla Golf Course, Falcon Lake Golf Course and Games Area and part of the Gull Harbour Resort and Conference Centre which are owned by Province of Manitoba.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) Non-monetary transactions

Non-monetary exchanges of services are recorded at the fair market value of the services provided or received.

(d) Financial instruments

It is management's opinion that the carrying value of the Company's financial instruments approximates their fair value and that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

(e) Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value	
			2004	2003
Building additions	$ 3,153,224	$ 884,396	$ 2,268,828	$ 2,311,161
Leasehold improvements	1,718,284	660,014	1,058,270	1,131,188
Furniture and fixtures	1,945,458	1,834,772	110,686	258,732
Staff quarters	642,479	290,189	352,290	377,989
Parking lot	362,687	116,726	245,961	260,469
Golf course improvements	869,729	120,788	748,941	762,463
Computer equipment	233,557	216,472	17,085	31,231
Vehicles	1,352,771	1,132,462	220,309	368,738
Equipment under capital lease	823,014	360,063	462,951	623,748
	$ 11,101,203	$ 5,615,882	$ 5,485,321	$ 6,125,719

5. BANK LOAN

The bank loan is due on demand, accrues interest at the prime rate and is guaranteed by the Province of Manitoba to a maximum of $8,403,000 (2003 - $7,890,000).

6. LONG TERM DEBT

	2004	2003
Loan payable, GMAC - repayable in monthly installments of $965, including interest at 0.9%, due November 2005, secured by specified equipment	$ 19,257	$ 30,510
Loan payable, GMAC - repayable in monthly installments of $866, non-interest bearing, due January 2007, secured by specified equipment	29,451	39,845
	48,708	70,355
Less: Current portion	22,000	22,000
	$ 26,708	$ 48,355

7. CAPITAL LEASE OBLIGATION

The Company has entered into lease arrangements to acquire certain equipment which have been accounted for by recording the assets as equipment under capital lease with the corresponding obligation under capital leases. The obligation under capital leases represents the minimum lease payments payable net of imputed interest.

The minimum lease payments required are as follows:

Year	Amount
2005	$ 173,260
2006	167,490
2007	167,490
Total minimum lease payments	508,240
Less: Amount representing interest	24,984
Capital lease obligation	483,256
Less: Current portion	144,900
	$ 338,356

8. CAPITAL STOCK

Authorized
Unlimited Common shares

	2004	2003
Issued 3,643,500 Common shares	$ 3,643,500	$ 3,643,500

9. COMMITMENTS

(a) The Company operates the Gull Harbour Resort and Conference Centre, the Hecla Golf Course, and the Falcon Lake Golf Course and Games Area under lease agreements with the Province of Manitoba. During the year lease payments of $144,712 (2003 - $139,913) were due to the Province. At year end, accounts payable include $416,627 (2003 - $269,242) relating to the lease agreement with the Province. Management's intention is to renegotiate the leases as the agreements have expired.

(b) The Company rents space and equipment under various operating leases which expire through 2009.

The future minimum lease payments under these operating leases for the remaining lease terms are approximately as follows:

Year	Amount
2005	$ 27,800
2006	23,800
2007	21,100
2008	12,800
2009	11,700
	$ 97,200

10. GOVERNMENT REPORTING ENTITY - RELATED PARTIES

The following information is presented in accordance with a request by the Minister of Finance of The Government of the Province of Manitoba.

During fiscal 2004, the Company transacted with the following three entities in the Government Reporting Entity above the specified level of $100,000. Expenses of $136,599 (2003 - $146,783) were incurred from Manitoba Hydro and $135,861 (2003 - $159,349) from the Manitoba Liquor Control Commission. Lease expenses of $144,712 (2003 - $139,913) were incurred from the Department of Natural Resources.

As at March 31, 2004, the Company had the following balances with entities in the Government Reporting Entity:

	2004	2003
Payable to:		
Manitoba Hydro	$ 10,984	$ 940
Department of Natural Resources	416,627	269,242
Department of Finance - Insurance and Risk Management	50,000	19,520
Department of Finance - Provincial Sales Tax	8,184	6,102
	$ 485,795	$ 295,804

11. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the classifications used in the current year.

VENTURE MANITOBA TOURS LTD.
SCHEDULE OF SALES AND COST OF SALES
FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
SALES		
Room	$ 1,026,170	$ 1,155,863
Food	838,158	916,740
Beverage	299,975	279,597
Gift shop	84,580	87,320
Hecla Golf Course	748,158	730,511
Falcon Lake Golf Course	1,223,781	1,123,893
Telephone	14,531	16,909
Other	66,299	79,167
	4,301,652	4,390,000
COST OF SALES		
Materials		
Food	295,144	326,028
Beverage	107,570	101,994
Gift shop	55,008	57,605
	457,722	485,627
Wages and benefits		
Room	332,163	357,688
Food	425,423	528,641
Beverage	112,806	107,254
Hecla Golf Course	398,861	380,665
Falcon Lake Golf Course	414,488	404,326
	1,683,741	1,778,574
Other		
Room	53,786	52,100
Food	42,956	56,900
Beverage	7,306	8,249
Gift shop	2,010	1,344
Hecla Golf Course	305,522	287,283
Falcon Lake Golf Course	388,125	368,838
Telephone	13,236	13,145
	812,941	787,859
	2,954,404	3,052,060
CONTRIBUTION MARGIN	$ 1,347,248	$ 1,337,940

VENTURE MANITOBA TOURS LTD.
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
Advertising	$ 76,805	$ 78,895
Automobile	24,185	22,656
Consulting	67,270	-
Credit card discount	53,031	51,137
Directors' fees	18,806	25,554
Equipment rentals	24,387	22,601
Equipment and supplies	33,966	33,600
Insurance and leases	61,387	54,912
Membership fees	5,480	5,400
Miscellaneous	8,997	7,725
Printing and stationery	16,258	21,889
Professional fees	30,052	36,035
Repairs and maintenance	206,836	128,306
Sales office rent	6,762	7,005
Staff training and meals	64,345	69,058
Telephone and postage	22,137	30,108
Transportation	61,790	57,713
Utilities	215,585	239,754
Wages and benefits	443,145	464,704
	$ 1,441,224	$ 1,357,052

GOVERNMENT ENTERPRISES

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of the Corporation are safeguarded.

The Board of Directors is responsible for the review and approval of all financial statements and for overseeing management's performance of its financial reporting responsibilities.

Chairman and Chief Executive Officer

General Manager

July 14, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Leaf Rapids Town Properties Ltd.

We have audited the balance sheet of Leaf Rapids Town Properties Ltd. as at March 31, 2004 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 14, 2004

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 1

BALANCE SHEET

MARCH 31

	2004	2003
ASSETS		
CURRENT		
Cash and short term deposits	$ 1,087,257	$ 1,384,486
Accounts receivable	61,524	23,622
GST receivable	1,749	4,855
Prepaid expenses	14,681	11,617
	1,165,211	1,424,580
DEVELOPED LOTS HELD FOR RESALE *(Note 2(c))*	1	1
NOTE RECEIVABLE *(Note 3)*	1	1
CAPITAL ASSETS *(Note 4)*	1	1
	$ 1,165,214	$ 1,424,583
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 69,738	$ 149,358
Deferred revenue	6,405	10,227
	76,143	159,585
LONG TERM DEBT *(Note 6)*	1,498,577	1,498,577
	1,574,720	1,658,162
SHAREHOLDERS' DEFICIT		
SHARE CAPITAL *(Note 5)*	2,621,100	2,621,100
DEFICIT	(3,030,606)	(2,854,679)
	(409,506)	(233,579)
	$ 1,165,214	$ 1,424,583

Approved on behalf of the Board:

Director

Director

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 2

STATEMENT OF LOSS AND DEFICIT

YEAR ENDED MARCH 31

	2004	2003
REVENUE		
Rentals	$ 21,196	$ 88,228
Cost recoveries	454,452	471,745
Administrative expenses paid for by the Province of Manitoba *(Note 2(e))*	53,498	...
	529,146	559,973
EXPENSES		
Administrative expenses *(Note 2(e))*	53,498	
Bad debts	(26,022)	(4,778)
Insurance	49,762	37,871
Janitorial	67,369	54,880
Professional fees	7,974	8,052
Property taxes	122,212	93,329
Repairs and maintenance	136,968	145,743
Salaries and benefits	165,929	161,083
Snow removal	8,155	5,925
Sundry	1,545	1,155
Supplies and office	21,766	16,150
Telephone	5,413	6,746
Utilities	108,258	109,683
Vehicle and travel	12,020	20,247
Winnipeg office	15,191	22,496
	750,038	678,582
OTHER (EXPENSE) REVENUE		
Corporation capital tax	(417)	(2,217)
Interest, net *(Note 7)*	33,438	33,665
Other	...	6,889
	33,021	38,337
LOSS ON OPERATIONS	(187,871)	(80,272)
Gain from prior write down of note receivable *(Note 3)*	11,944	...
NET LOSS FOR YEAR	(175,927)	(80,272)
DEFICIT, *beginning of year*	(2,854,679)	(2,774,407)
DEFICIT, *end of year*	$ (3,030,606)	$ (2,854,679)

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 3

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2004	2003
CASH FLOW FROM		
OPERATING ACTIVITIES		
Net loss	$ (175,927)	$ (80,272)
Net change in non-cash operating working capital:		
Accounts receivable	(37,902)	35,589
GST payable	3,106	(9,593)
Prepaid expenses	(3,064)	(5,548)
Accounts payable and accrued liabilities	(79,620)	(2,260)
Deferred revenue	(3,822)	(13,745)
	(121,302)	4,443
	(297,229)	(75,829)
INVESTING ACTIVITIES		
Note receivable from Leaf Rapids Community Development Corporation	...	11,944
FINANCING ACTIVITIES		
Payments on capital lease	...	(5,411)
NET DECREASE IN CASH DURING YEAR	(297,229)	(69,296)
CASH, *beginning of year*	1,384,486	1,453,782
CASH, *end of year*	$ 1,087,257	$ 1,384,486

	2004	2003
CASH COMPRISED OF		
Cash	$ 46,625	$ 64,793
Short term investments	1,040,632	1,319,693
	$ 1,087,257	$ 1,384,486

1. NATURE OF OPERATIONS

Leaf Rapids Town Properties Ltd. was incorporated in 1971 under The Manitoba Companies Act. It was charged with the responsibility for the planning, design and development of the community of Leaf Rapids. Since the completion of the development, the Corporation has managed, leased and operated its physical assets and properties in Leaf Rapids.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's financial statements have been prepared using Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(a) *Management Estimates*

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the period in which they became known.

(b) *Capital Assets*

Capital assets are stated at cost, less accumulated amortization and write downs. Certain capital assets were written down in 2000 to their net realizable value. As well, in 2002, land, buildings and equipment were written down to reflect the reduction in their useful lives as explained in note 9. Accordingly, there is no amortization for 2004.

(c) *Developed Lots*

Developed lots held for resale were written down, in a previous year, to a nominal value of $1. Property taxes and any other related costs are charged to operations.

(d) *Pension Expense*

The Corporation participates in a multi-employer pension plan. Pension expense is equal to the Corporation's annual funding of the pension plan. The annual funding is based on the Corporation matching the employees required contributions.

(e) *Administrative Support*

The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of the services of support staff are estimated and included in the financial statements.

3. NOTE RECEIVABLE

In 2001, the Corporation provided financing to the Leaf Rapids Community Development Corporation for the renovations to the dental clinic. Effective March 31, 2002, the terms of the repayment were renegotiated. The note receivable was written down in 2002 by $49,686 to reflect the uncertainty regarding the ultimate collection, as explained in note 9. The Corporation continued to collect based on the terms shown below, for the past fiscal year. As such the 2002 write down has been adjusted as of March 31, 2004 to reflect the outstanding balance of $37,742. This adjustment is reflected as a gain from prior write down on the statement of loss and deficit.

	2004	2003
Note receivable, non-interest bearing, repayable in monthly installments of $995, due May, 2007	$ 1	$ 1

4. CAPITAL ASSETS

	Cost	Accumulated Write Down	Accumulated Amortization	2004	2003
Commercial Properties					
Land	$ 478,766	$ 478,765	$	$ 1	$ 1
Building	1,627,110	561,919	1,065,191		
Equipment	14,246	4,110	10,136		
Non-Commercial Properties					
Land	414,692	414,692			
Building	4,701,479		4,701,479		
Other Property					
Land	82,301	82,301			
Building	857,752	321,652	536,100		
Equipment	201,311	60,217	141,094	...	...
	$ 8,377,657	$ 1,923,656	$ 6,454,000	$ 1	$ 1

5. SHARE CAPITAL

	2004	2003
Authorized -		
40,000 common shares, not to exceed $40,000		
26,210 8.15% non-cumulative, redeemable, preferred voting shares, not to exceed $2,621,000 with a redemption price of $100 per share		
Issued and fully paid -		
100 common shares	$ 100	$ 100
26,210 preferred shares	2,621,000	2,621,000
	$ 2,621,100	$ 2,621,100

Ownership: All issued shares are held by the Minister of Finance of the Province of Manitoba.

6. LONG TERM DEBT

Long term debt payable to the Province of Manitoba consists of $1,498,577 in 10% income debentures, secured by a floating charge on all assets of the corporation. Annual installments against this debt are determined based on one-half of the prior year's cash flow from operations. Cash flow is defined as net income from operations, plus amortization expense, less the installment amount paid in the year.

Interest expense is recorded as an accrual each year and, based on the required annual installment that becomes due and payable subsequent to each fiscal year. If the required annual installment exceeds 10% of the outstanding long term debt, the amount of the require annual installment in excess of 10% of the outstanding long term debt is applied against the outstanding long term debt principal and the remainder is recorded as interest expense. If the required annual installment is less than 10% of the outstanding long term debt, the full amount of the installment is recorded as interest expense. The difference between that recorded interest expense and 10% of the long term debt is not recorded and is non-cumulative. For the year ended March 31, 2004, the accrued interest expense amounted to $0.00. The difference between the interest expense of $0.00 and 10% of the long term debt is $149,858.

7. INTEREST (NET)

	2004	2003
Interest revenue	$ 33,438	$ 33,665

8. RELATED PARTY TRANSACTIONS

As stated in note 5, all issued shares of the Corporation are held by the Minister of Finance of the Province of Manitoba. In addition, the long term debt and related interest described in note 6 are payable to the Province of Manitoba. The interest income described in note 7 is earned on short term deposits held by the Province of Manitoba. The Corporation also has the following balances with the Province of Manitoba and its agencies reflected in these financial statements as at March 31, 2004. These transactions and balances are in the normal course of operations and are measured at the exchange amount agreed to by the related parties.

	2004	2003
Short term deposits	**$ 1,040,632**	$ 1,319,693
Accounts receivable	**3,195**	4,393
Accounts payable	**10,672**	77,758

9. WRITE DOWN OF ASSETS TO NET REALIZABLE VALUE

The viability of the Corporation has depended on the ongoing successful operation of the Ruttan Mine. Based on information known in 2000, existing ore reserves were expected to continue for another four years. Accordingly, in 2000, management wrote down certain capital assets to reflect this uncertainty. In 2000, the Corporation determined the net realizable value of the Town Centre land to be $100,000, the equivalent of the maximum price it would receive should it sell the land. Accordingly in 2000, the Town Centre land was written down by $123,996. The industrial park land, the mobile home park land, the Town Centre buildings and the commercial buildings were written down in 2000 to estimated future cash flows from operations. The cost of these assets was written down in 2000 by $1,064,414.

On October 29, 2001, the owner of the Ruttan Mine announced that it would be shutting down the mine in May, 2002. A number of alternatives are currently being reviewed by the Town of Leaf Rapids for the utilization of the mine and/or the utilization of available housing in the Town. The ongoing viability of the Corporation will depend on the outcome of the implementation of the alternatives currently being reviewed.

In 2002, the cost of land, buildings and equipment was written down by $320,554 to reflect the reduction in their useful lives due to the closing of the Ruttan Mine. As well, due to the mine closure and the effect that this will have on the economy of Leaf Rapids, the following asset write downs, totalling $111,981 were made in 2002:

a) the allowance for doubtful accounts receivable was increased by $67,775 to reflect the uncertainty of the ultimate collection of the accounts receivable;

b) the carrying values of prepaid expenses and maintenance inventory were written down by $21,977 and $22,229 respectively to reflect the uncertainty regarding the future benefit of these assets.

10. FINANCIAL INSTRUMENTS

a) *Credit Risk*

The Corporation is exposed to credit risk on the accounts receivable from its customers. An allowance for doubtful accounts has been established by the Corporation, based upon factors surrounding the credit risk of specific customers, historical records and other information.

b) *Fair Value*

Due to the short term nature of all financial instruments, other than long term debt, the carrying values as presented in the financial statements are reasonable estimates of fair value. As is true for all estimates, actual fair value could differ from this estimate and, if so, any differences would be accounted for in the period in which it becomes known. For long term debt, it is not practical within constraints of timeliness or cost to determine the fair value with sufficient reliability because the instruments are not traded in an organized financial market.

11. CHANGES IN ACCOUNTING POLICY

Leaf Rapids Town Properties Ltd. changed its accounting policy to reflect administrative expenses paid on behalf of the Corporation by the Province of Manitoba. This change in accounting policy has been applied prospectively since the information for the previous year was not available. The change in accounting policy has the effect of changing both the revenue and the expenses of the Corporation in the current year by $53,498 with a neutral effect on the net loss for the year.

Management Report

The accompanying financial statements are the responsibility of Management and have been prepared in accordance with the accounting policies disclosed in Note 2. In Management's opinion, the financial statements have been properly prepared and, of necessity, include some amounts based upon Management's best estimates and judgements.

As Management is responsible for the integrity of the financial statements, Management has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss.

Don Lussier
President & CEO

Tracy Crawford
Chief Financial Officer

Auditors' Report

To the Board of Commissioners
The Liquor Control Commission

We have audited the balance sheet of The Liquor Control Commission (an Agency of the Government of the Province of Manitoba) as at March 31, 2004 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of The Liquor Control Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Liquor Control Commission as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements for the preceding year were audited by other chartered accountants.

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants

Winnipeg, Canada
May 10, 2004

Statement of Income

(In Thousands)
YEAR ENDED MARCH 31

		2004		2003
Sales *(see Schedule of Sales, Cost of Sales and Gross Profit)*	$	459,199	$	434,980
Cost of Sales *(see Schedule of Sales, Cost of Sales and Gross Profit)*		241,008		229,532
Gross profit		218,191		205,448
Other income *(Note 4)*		6,342		7,133
		224,533		212,581
General and administrative expenses *(Note 5)*		45,850		44,127
Operating profit before depreciation		178,683		168,454
Depreciation *(Notes 2 & 6)*		2,432		2,107
Net profit paid or payable to the Province of Manitoba	$	176,251	$	166,347

See accompanying notes to the financial statements

THE LIQUOR CONTROL COMMISSION

Balance Sheet

(In Thousands)
AS AT MARCH 31

	2004	2003
Assets		
Current		
Cash and cash equivalents	$ 3,860	$ 12,146
Accounts receivable – Province of Manitoba	1,375	1,375
Accounts receivable – claims and other	11,555	596
Inventory *(Note 3)*	20,548	17,831
Prepaid expenses and supplies	918	775
Total current assets	38,256	32,723
Fixed assets *(Note 6)*	11,159	10,344
Long-term commitments – Province of Manitoba *(Notes 7 and 8)*	46,082	43,897
	$ 95,497	$ 86,964
Liabilities		
Current		
Accounts payable – trade and other	$ 20,896	$ 14,985
Goods and services tax payable	1,114	1,123
Manitoba retail sales tax payable	997	942
Net profit payable to the Province of Manitoba	20,351	20,247
Environmental protection tax payable	120	116
Deferred licence fees	570	512
Demand non-interest bearing working capital advance provided by the Province of Manitoba *(Note 9)*	4,500	–
	48,548	37,925
Long-term		
Provision for employee pension benefits *(Note 7)*	42,917	40,733
Provision for retirement allowances *(Note 8)*	4,032	3,806
Non-interest bearing working capital advance provided by the Province of Manitoba *(Note 9)*	–	4,500
Contingent liabilities *(Note 11)*	$ 95,497	$ 86,964

See accompanying notes to the financial statements

Approved on behalf of the Commission

Chair of the Board

Chair of the Audit Committee

President and Chief Executive Officer

Chief Financial Officer

Statement of Cash Flows

(In Thousands)

YEAR ENDED MARCH 31

Increase (decrease) in cash and cash equivalents	**2004**	2003
Operating Activities		
Cash Receipts		
Sales – spirits, wine, coolers/ciders and beer	**$ 449,691**	$ 434,980
Annual and supplementary licence fees and other	**3,185**	3,986
Goods and services tax	**32,398**	30,660
Manitoba retail sales tax	**14,107**	13,156
Manitoba WRAP tax	**439**	431
Environmental protection tax	**1,738**	1,713
	501,558	484,926
Cash Disbursements		
Purchases – merchandise, federal duty, excise and sales taxes, etc.	**240,116**	229,907
General and administrative expenses	**42,462**	41,905
Goods and services tax	**32,406**	31,598
Manitoba retail sales tax	**14,053**	13,206
Manitoba WRAP tax	**438**	432
Environmental protection tax	**1,734**	1,718
	331,199	318,766
Net cash available from operating activities	**170,359**	166,160
Investing Activities		
Acquisition of fixed assets	**(2,498)**	(4,383)
Net cash available for transfer	**167,861**	161,777
Transfers to Province of Manitoba		
Current year's net profit	**155,900**	146,100
Prior year's net profit	**20,247**	18,216
	176,147	164,316
Deficiency of cash receipts over disbursements and transfers	**(8,286)**	(2,539)
Cash and cash equivalents, beginning of the year	**12,146**	14,685
Cash and cash equivalents, end of the year	**$ 3,860**	$ 12,146

See accompanying notes to the financial statements

THE LIQUOR CONTROL COMMISSION

Schedule of Sales, Cost of Sales and Gross Profit

(In Thousands)
YEAR ENDED MARCH 31

	Spirits	Wine	Coolers/ Ciders	Beer	Total
Sales					
Stores	$ 111,363	$ 52,522	$ 9,881	$ 27,345	$ 201,111
Liquor vendors	30,082	6,054	3,283	4,021	43,440
Licensees	17,504	3,855	2,738	180,473	204,570
Specialty wine stores	-	10,012	66	-	10,078
Total Sales for 2004	**$ 158,949**	**$ 72,443**	**$ 15,968**	**$ 211,839**	**$ 459,199**
Total Sales for 2003	$ 154,200	$ 67,103	$ 14.905	$ 198,772	$ 434,980
Cost of Sales					
Total Cost of Sales for 2004	**$ 63,257**	**$ 33,620**	**$ 8,033**	**$ 136,098**	**$ 241,008**
Total Cost of Sales for 2003	$ 61.732	$ 31.710	$ 7,766	$ 128,324	$ 229.532
Gross Profit for 2004	**$ 95,692**	**$ 38,823**	**$ 7,935**	**$ 75,741**	**$ 218,191**
Gross Profit for 2003	$ 92.468	$ 35.393	$ 7.139	$ 70,448	$ 205,448
Gross Profit as a Percentage of Sales for 2004	**60.2%**	**53.6%**	**49.7%**	**35.8%**	**47.5%**
Gross Profit as a Percentage of Sales for 2003	60.0%	52.7%	47.9%	35.4%	47.2%

Notes to the Financial Statements

(In Thousands)
MARCH 31, 2004

1. Nature of organization

The Liquor Control Commission (the "Commission") was formed in 1923 as an agency of the Government of Manitoba under the Government *Liquor Control Act*. The Commission's mandate is to purchase, sell and regulate alcoholic beverages; to determine locations for retail liquor outlets; to licence and regulate facilities used by the consuming public; to provide revenue to the Province from the activities of the Commission; and to do all such things necessary to effect the provisions of *The Liquor Control Act*.

2. Significant accounting policies

a. Cash and cash equivalents include cash on hand, balances with banks and outstanding electronic fund transactions forwarded to banks.

b. Accounts receivable – claims and other includes electronic fund transactions to be forwarded to banks after March 31. Due to system changes, these transactions are now reported as accounts receivable rather than outstanding deposits included with cash.

c. Inventories of goods for resale are valued at cost.

d. Revenue from sales is recognized upon shipment of the product.

e. The fixed assets are recorded at cost less accumulated depreciation. Depreciation is provided on the declining balance basis at the following annual rates:

Automobiles	30%
Equipment and furnishings	20%
Paving	8%
Systems development	30%

Leasehold improvements are depreciated on a straight-line basis over the remaining term of the lease or a minimum of five years.

f. Other income includes funding from the Province of Manitoba for the Commission's share of the change in the provision for unfunded pension liabilities.

g. Substantially all of the employees of the Liquor Control Commission are eligible for pension benefits in accordance with the provision of the *Civil Service Superannuation Act* administered by the Civil Service Superannuation Board. Plan members will receive benefits based on the length of services and on the average of annualized earnings calculated on the best five years prior to retirement, termination, or death, that provides the highest earnings. Pension costs, included in salaries, benefits and pension costs, consist of the employer's share of pension benefits paid to retired employees, as well as the increase in unfunded pension liabilities during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary as detailed in Note 7.

h. The Commission's financial instruments consist of cash and cash equivalents, accounts receivable, long-term commitments – Province of Manitoba, net profit payable to the Province of Manitoba, accounts payable, other taxes payable and non-interest bearing working capital advance provided by the Province of Manitoba. It is management's opinion that the Commission is not exposed to interest, currency, or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

i. In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Inventory

		2004		2003
Warehouse Inventory	$	**13,468**	$	10,981
Stores Inventory		**7,080**		6,850
	$	**20,548**	$	17,831

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $3,179 at March 31, 2004 (2003: $2,222).

4. Other income

		2004		2003
Long-term funding commitments – Province of Manitoba	$	**2,185**	$	3,259
Advertising revenue, other		**752**		853
Supplementary licence fees		**712**		745
Occasional permits additional fees		**626**		692
Miscellaneous		**598**		186
Annual licence fees and licence application fees		**594**		598
Air Miles revenue		**337**		221
Occasional permits		**257**		289
Administration charges		**186**		186
Specialty wine store fees		**48**		48
Border point fees		**47**		56
	$	**6,342**	$	7,133

5. General and administrative expenses

		2004		2003
Salaries, benefits and pension costs	$	**28,826**	$	28,558
Leased premises – rentals *(Note 10)*		**4,531**		4,484
Maintenance and repairs		**1,730**		1,376
Utilities		**1,174**		1,093
Delivery charges		**1,166**		1,164
Bank charges		**1,086**		996
Equipment rentals *(Note 10)*		**1,015**		850
Air Miles program		**1,013**		862
Printing, postage and supplies		**786**		609
Professional fees		**610**		478
Grants in lieu of taxes		**582**		578
Health and post secondary education tax levy		**478**		449
Image enhancement		**387**		327
Miscellaneous		**366**		339
Protective services		**358**		336
Advertising and promotions		**348**		328
Alcohol education		**329**		369
Staff training		**317**		267
Travelling		**233**		206
Vehicle expenses		**175**		154
Product analysis		**125**		157
Communications		**114**		80
Crown Corporations Council levy		**101**		67
	$	**45,850**	$	44,127

6. Depreciation/Fixed assets

	2004		
	Cost	Accumulated Depreciation	Net Book Value
Leasehold improvements	$ 6,319	$ 1,748	$ 4,571
Systems development	7,561	3,602	3,959
Equipment and furnishings	4,705	2,484	2,221
Automobiles	544	268	276
Paving	208	76	132
	$ 19,337	$ 8,178	$ 11,159

	2003		
	Cost	Accumulated Depreciation	Net Book Value
Leasehold improvements	$ 5,115	$ 1,317	$ 3,798
Systems development	6,899	2,854	4,045
Equipment and furnishings	4,130	2,007	2,123
Automobiles	484	237	247
Paving	196	65	131
	$ 16,824	$ 6,480	$ 10,344

7. Provision for employee pension benefits

	2004	2003
Balance, beginning of year	$ 40,733	$ 37,473
Adjustment to provision from 2001 actuarial valuation	-	1,323
Benefits accrued	1,238	1,164
Interest accrued on benefits	2,944	2,804
Benefits paid	(1,989)	(2,031)
Manitoba Finance matching pension contributions	(9)	-
Balance, end of year	$ 42,917	$ 40,733
Pension expense	$ 4,183	$ 5,291
Employee contributions	1,131	1,063
Employer contributions	1,998	2,031

An actuarial valuation of the provision for employee pension benefits was conducted by Ellement & Ellement Ltd. Consulting Actuaries as at December 31, 2001. The key actuarial assumptions used in determining the Commission's provision for employee pension benefits were at the following weighted average rates

	As at March 31 2004	As at March 31 2003
Rate of return	6.75 %	6.75 %
Inflation	2.75 %	2.75 %
Salary rate increases	4.50 %	4.50 %

In addition, post retirement indexing was at two-thirds of the inflation rate.

The service to date projected benefit method was used and the liabilities have been extrapolated to March 31, 2004 using a formula provided by the actuary.

The provision for unfunded employee pension benefits is offset by a receivable from the Province included as part of long-term commitments - Province of Manitoba. There are no conditions or terms for collection of this receivable.

8. Provision for retirement allowances

Effective April 1, 1998, the Commission commenced recording accumulated retirement allowances for its employees. Eligible employees are entitled to receive a retirement allowance equal to one week's pay to a maximum of 25 weeks, for each year of continuous employment, based on the current salary at date of retirement. The provision recorded is based on a method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the retirement allowances accumulated by the Commission's employees to March 31, 1998. Accordingly, the opening provision for retirement allowances as at April 1, 1998 of $3,165 was completely offset by a receivable from the Province included as part of long-term commitments – Province of Manitoba.

9. Working capital advance

During the year, the Commission adopted the new Canadian Institute of Chartered Accounts ("CICA") standard regarding balance sheet classification of callable debt obligations. This standard applies to the Commission's presentation of its demand non-interest bearing working capital advance provided by the Province of Manitoba. Under the new standard, the Commission presents its debt obligations in accordance with the legal rights of the lenders. Accordingly, the working capital advance, which is subject to demand provisions, has been presented as a current liability.

10. Long-term leases

a. The Commission leases its head office and 10 other buildings from the Government of the Province of Manitoba for the nominal sum of two dollars effective August 1, 1985, for a period of 99 years.

b. The Commission leases another 38 buildings. Leases have expiry dates ranging from 2004 to 2024.

The future minimum lease payments for each of the next five years and thereafter are as follows:

Year ending March 31	2005	$	3,081
	2006		2,735
	2007		2,402
	2008		2,278
	2009		2,123
	Thereafter		7,462
		$	20,081

c. The Commission leases computer equipment. Leases on this computer equipment expire in 2007.

The future minimum lease payments for each of the years to the expiry of the lease contracts are as follows:

Year ending March 31	2005	$	832
	2006		656
	2007		234
		$	1,722

11. Contingent liabilities

a. Legal action has been taken against the Commission by the six stand-alone private wine stores claiming the Commission's interference with their economic interests, abuse of public authority and breach of contract. The outcome of this action and the amounts involved are not determinable.

b. Legal action has been taken against the Commission by the two specialty food and wine private wine stores claiming discriminatory action by the Commission under *The Competition Act* with regard to the discount structure. The outcome of this action and the amounts involved are not determinable.

BDO

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Auditors' Report

To the Members of
Manitoba Hazardous Waste Management Corporation

We have audited the balance sheet of **Manitoba Hazardous Waste Management Corporation** as at March 31, 2004 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 14, 2004

Manitoba Hazardous Waste Management Corporation
Balance Sheet

March 31	2004	2003
Assets		
Current Assets		
Cash and bank	$ 161,693	$ 195,360
Rent receivable (Note 3)	110,730	89,615
	272,423	284,975
Long-term investment - Miller Environmental Corporation	1,000,000	1,000,000
Capital assets - land, at cost	170,305	170,305
	$ 1,442,728	$ 1,455,280
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 10,999	$ 10,503
Equity		
Share capital (Note 2)	7,500,000	7,500,000
Deficit	(6,068,271)	(6,055,223)
	1,431,729	1,444,777
	$ 1,442,728	$ 1,455,280

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Manitoba Hazardous Waste Management Corporation
Statement of Operations and Deficit

For the year ended March 31	2004	2003
Revenue		
Gross profit rent (Note 3)	**$ 21,115**	$ 11,845
Expenses		
General and administrative expenses	**34,163**	29,393
Loss before other items	**(13,048)**	(17,548)
Other Items		
Impairment of deferred development costs (Note 1)	-	(3,301,925)
Writedown of long-term investment	-	(2,000,000)
	-	(5,301,925)
Net loss for the year	**(13,048)**	(5,319,473)
Deficit, beginning of year	**(6,055,223)**	(735,750)
Deficit, end of year	**$ (6,068,271)**	$ (6,055,223)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Manitoba Hazardous Waste Management Corporation
Statement of Cash Flows

For the year ended March 31	2004	2003
Cash Flows from Operating Activities		
Net loss for the year	$ (13,048)	$ (5,319,473)
Adjustments for		
Impairment of deferred development costs	-	3,301,925
Writedown of long-term investment	-	2,000,000
	(13,048)	(17,548)
Changes in non-cash working capital balances		
Rent receivable	(21,115)	(11,845)
Accounts payable and accrued liabilities	496	309
Decrease in cash and cash equivalents for the year	(33,667)	(29,084)
Cash and cash equivalents, beginning of year	195,360	224,444
Cash and cash equivalents, end of year	$ 161,693	$ 195,360

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Manitoba Hazardous Waste Management Corporation
Summary of Significant Accounting Policies

March 31, 2004

Nature of Business

The Manitoba Hazardous Waste Management Corporation was established under the Manitoba Hazardous Waste Management Corporation Act. The Corporation, as an agent of the Government of the Province of Manitoba, is responsible to establish, operate, and maintain in accordance with all applicable laws in the province, a hazardous waste management system in Manitoba. This system must be operated and maintained in a manner that will protect the health and safety of the public and preserve the environment. Effective January 1, 1996, the Corporation entered into various agreements with Miller Waste Systems, a division of Miller Paving Limited and Miller Environmental Corporation (Miller) for the continued operation of the hazardous waste management system in Manitoba.

These agreements provide for the transfer of certain assets and liabilities to Miller in exchange for 50% of the common shares and all the Class A special preferred shares of Miller. Under the agreements, the Corporation retains title to its land holdings which are being leased to Miller for an indefinite term, contingent on Miller's continued existence and operation of the hazardous waste management system.

Financial Instruments

The organization's financial instruments consist of cash, rent receivable, long-term investments, accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Long-term Investments

The investment in Miller Environmental Corporation is recorded at cost of $3,000,000 less $2,000,000 writedown in 2003 to represent the estimated value of the investment after taking into consideration an impairment in value.

Rental Income

According to the terms of the site lease with Miller, rental income is based on a percentage of Miller's gross profits.

1. Deferred Development Costs

	2004	2003
Balance, beginning of year	$ -	$ 3,301,925
Impairment of deferred development costs	-	(3,301,925)
Balance, end of year	$ -	$ -

Deferred development costs of $3,301,925 have been written off during the 2003 year in recognition of a permanent impairment in value.

2. Share Capital

The authorized capital of the company is 350,000 shares for a maximum consideration of $35,000,000.

The issued capital is as follows:

	2004	2003
75,000 common shares	**$ 7,500,000**	$ 7,500,000

3. Gross Profit Rent

On January 1, 1996, Miller Environmental Corporation (MEC) entered into a site lease agreement with the Manitoba Hazardous Waste Management Corporation (MHWMC). Under the terms of the agreement, MEC is committed to annual rent payments of 20% of gross profit to a maximum of $500,000 for each calendar year.

The estimated rental profit receivable based on the audited financial statements of MEC for the fiscal years ending February 28, 2004, 2003, 2002 and 2001 is as follows:

February 28, 2004	**$ 21,115**
February 28, 2003	**16,998**
February 28, 2002	**57,323**
February 28, 2001	**15,294**
	$ 110,730

4. Contingencies

Under the terms of the agreements with Miller Environmental Corporation, MHWMC would be responsible for any claims prior to January 1, 1996 not disclosed during the due diligence process. Any future removal and site restoration costs would be the responsibility of Miller and the Province of Manitoba. An estimate of these costs cannot be determined and therefore no provision has been made in the financial statements for any such costs.

5. Economic Dependence

The Corporation is economically dependent on Miller Environmental Corporation. The Corporation's main future sources of revenue are site lease rental revenue and dividend income from its affiliate.

6. Public Sector Compensation

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the remuneration paid to Board members during the year, in aggregate, totalled $11,543. No employee's compensation exceeded $50,000 per year.

7. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

MANAGEMENT REPORT

FOR THE YEAR ENDED MARCH 31

The accompanying consolidated financial statements and all additional information contained in the Annual Report are the responsibility of management and have been approved by the Manitoba Hydro-Electric Board. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. In management's opinion the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 10, 2004. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management maintains internal controls to provide reasonable assurance that the assets of the Corporation are properly safeguarded and that the financial information is reliable, timely and accurate. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its finding to management and to the Audit Committee of the Board.

The responsibility of the external auditors, Ernst & Young LLP, is to express an independent, professional opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Audit Committee of the Board is composed of three members of the Manitoba Hydro-Electric Board. The Audit Committee of the Board meets with the external auditors, representatives of the Auditor General's Office, the internal auditors and management to satisfy itself that each group has properly discharged its respective responsibility and to review the consolidated financial statements before recommending approval by the Board. The Board has reviewed the Annual Report in advance of its release and has approved its content and authorized its publication.

On behalf of management:

RB Brennan

R.B. Brennan, FCA
President
and Chief Executive Officer

Vince Warden

V.A. Warden, CMA, FCMA
Vice-President
Finance & Administration
and Chief Financial Officer

Winnipeg, Canada
June 10, 2004

AUDITORS' REPORT

To the Manitoba Hydro-Electric Board

We have audited the consolidated balance sheet of The Manitoba Hydro-Electric Board as at March 31, 2004 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada
June 10, 2004

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31

	Notes	2004	2003
		millions of dollars	
ASSETS			
PROPERTY, PLANT AND EQUIPMENT			
In service		10 399	9 991
Less accumulated depreciation		3 241	3 042
		7 158	6 949
Construction in progress		378	356
	5	7 536	7 305
CURRENT ASSETS			
Bank balances and temporary investments	6	6	30
Accounts receivable and accrued revenue		371	393
Interest receivable		7	9
Materials and supplies, at average cost		81	69
		465	501
OTHER ASSETS			
Sinking fund investments	7	715	948
Pension assets	8	556	457
Deferred debt costs	9	213	571
Goodwill		108	108
Other deferred costs	10	310	344
		1 902	2 428
		9 903	10 234

Approved on behalf of the Board:

Victor H. Schroeder, QC
Chairman of the Board

Hon. Saul Cherniack, PC, CM, OM, QC
Chairman of the Audit Committee

	Notes	2004	2003
		millions of dollars	
LIABILITIES AND RETAINED EARNINGS			
LONG-TERM DEBT			
Long-term debt net of sinking fund investments		6 399	5 977
Sinking fund investments	7	715	948
	11	7 114	6 925
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		255	258
Notes payable	12	93	128
Accrued interest		107	111
Current portion of long-term debt	11	276	343
		731	840
OTHER LIABILITIES			
Deferred liabilities and credits	13	294	301
Pension obligation	8	507	479
Asset purchase obligation	14	249	255
		1 050	1 035
CONTRIBUTIONS IN AID OF CONSTRUCTION		274	264
RETAINED EARNINGS		734	1 170
		9 903	10 234

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31

		Notes	2004	2003
			millions of dollars	
REVENUES				
Electric	Manitoba		936	891
	Extraprovincial	2	351	463
Gas	Commodity		375	392
	Distribution		119	123
			1 781	1 869
Cost of gas sold			375	392
			1 406	1 477
EXPENSES				
Operating and administrative			346	326
Depreciation and amortization			296	281
Water rentals and assessments		3	71	103
Fuel and power purchased			569	151
Capital and other taxes			73	66
			1 355	927
Income before finance expense			51	550
Finance expense		4	487	479
NET (LOSS) INCOME			(436)	71

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31

	Notes	2004	2003
		millions of dollars	
RETAINED EARNINGS, BEGINNING OF YEAR		1 170	1 302
Net (loss) income		(436)	71
		734	1 373
Distribution to the Province of Manitoba	18	–	203
RETAINED EARNINGS, END OF YEAR		734	1 170

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31

	Notes	2004	2003
		millions of dollars	
OPERATING ACTIVITIES			
Cash receipts from customers		1 813	1 863
Cash paid to suppliers and employees		(1 449)	(983)
Interest paid		(537)	(550)
Interest received		46	102
		(127)	432
FINANCING ACTIVITIES			
Proceeds from long-term debt		1 013	734
Sinking fund withdrawals		269	644
Retirement of long-term debt		(474)	(977)
Discount on long-term debt		–	92
Mitigation liability	17	(16)	(26)
Distribution to the Province of Manitoba		(3)	(200)
Notes payable		(36)	(54)
		753	213
INVESTING ACTIVITIES			
Property, plant and equipment, net of contributions		(498)	(484)
Sinking fund payment		(106)	(134)
Other		(46)	(11)
		(650)	(629)
NET (DECREASE) INCREASE IN CASH		(24)	16
Cash at beginning of year		30	14
CASH AT END OF YEAR	6	6	30

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the financial statements of the Corporation and its subsidiaries. For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

a) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the weighted average cost of capital. Finance expense is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in service property, plant and equipment is made, finance expense allocated to construction ceases and depreciation and finance expense charged to operations commences.

b) DEPRECIATION

Depreciation is provided on a straight-line remaining life basis. The major components of generating stations are depreciated over the lesser of the remaining life of the major component or the remaining life of the associated generating station.

The range of estimated service lives of each major asset category is as follows:

Generation	- Hydraulic	45 - 100 years
	- Thermal	25 - 45 years
Transmission	- Lines	20 - 53 years
	- Stations	20 - 53 years
Distribution (Electricity and Gas)		20 - 65 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. In accordance with utility accounting practices, retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by the Corporation. A provision for estimated future costs of removal and site restoration costs related to the decommissioning of the thermal generating stations is recorded as a deferred liability.

c) FOREIGN CURRENCY TRANSLATION

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollar equivalents at exchange rates in effect at the transaction dates except to the extent that revenues are used to hedge future long-term foreign debt obligations. In accordance with the Corporation's Exposure Management Program, revenues used as hedges are firm U.S. export revenues which are translated at the historical book value exchange rates of the respective U.S. debt obligations to which the firm revenues are linked and for which they, together, form an effective hedge. The maturity dates of U.S. debt obligations extend through 2023. For purposes of bridging the timing of U.S. debt maturities and the U.S. revenue streams used to hedge those debt maturities, the Corporation utilizes U.S. sinking funds. The investment income from the U.S. sinking fund is retained within the Exposure Management Program to form part of the long-term debt obligation hedge.

Long-term monetary assets and liabilities denominated in U.S. currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. The exchange gains or losses, resulting from the translation of these long-term monetary items, which are related to liabilities hedged by future U.S. revenue streams, are deferred to the date in which the sales are made.

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Any exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to operations in the current period.

Cross currency swap arrangements transacted by the Province of Manitoba (the Province) on the Corporation's behalf are utilized to manage exchange rate exposures and as a means to capitalize on favourable financing terms in either U.S. or Canadian capital markets. Cross currency agreements represent an exchange of principal and/or interest flows denominated in one currency for principal and/or interest flows denominated in another. Such transactions effectively amend the terms of the original debt obligation with the Province with the swapped debt arrangement.

d) PENSION AND OTHER EMPLOYEE BENEFITS

An independent actuary using the accrued benefit method and management's best estimate economic and demographic assumptions, determines the costs and obligations of pension benefits. Pension expense is comprised of the cost of pension benefits provided during the year plus the amortization of the cost of past service benefits and experience gains and losses. The unamortized present value of past service benefits and actuarially determined experience gains or losses are recognized in the financial statements as a deferred asset or credit. The Corporation utilizes the "corridor method" of amortizing actuarial gains and losses. The amortization of experience gains and losses is recognized only to the extent that the cumulative unamortized net actuarial gain or loss exceeds 10% of the greater of the accrued benefit obligation and the fair market value of plan assets at the beginning of the year. When required, the excess of the cumulative gain or loss balance is amortized over the expected average remaining service life of the employees covered by the plan.

All pension assets are stated at current market value.

Pension and long-term disability expenses pertaining to the former Winnipeg Hydro employees are recognized at the time contributions are made to the City of Winnipeg Civic Employees Benefit Program. The Program is a defined benefit pension plan with multiple participating employers.

Other employee benefits earned by employees include vacation, vested sick leave and long-term disability. Where applicable, the cost of these benefits is determined based on management's best estimate economic and demographic assumptions.

e) DEBT DISCOUNTS AND PREMIUMS

Debt discounts and premiums are amortized to finance expense on a straight-line basis over the life of the respective debt.

f) SINKING FUND INVESTMENTS

The Corporation records sinking fund investments at par value. The difference between the cost and the par value of each investment is recorded as a premium or discount and is amortized on a straight-line basis over the remaining life of the investment. Any gain or loss on early disposal of investments is credited or charged to operations.

g) TEMPORARY INVESTMENTS

Temporary investments are recorded at the lower of cost or market.

h) PLANNING STUDIES

Planning studies costs related to uncommitted major generation or transmission facilities are deferred and amortized on a straight-line basis over 15 years. The balance of the unamortized costs of a project which proceeds during the 15-year period is transferred to the capital cost of the project.

i) POWER SMART PROGRAMS

The costs of the Corporation's energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over periods of up to 15 years.

j) SITE RESTORATION COSTS

Site restoration costs incurred are recorded as a deferred expense and are amortized on a straight-line basis over 15 years.

k) REVENUES

Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

l) CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

m) COST OF GAS SOLD

Cost of natural gas sold is recorded at the same rates charged to customers. The difference between the recorded cost of natural gas and the actual cost of natural gas is carried as an account receivable/payable and recovered or refunded in future rates.

n) DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation utilizes derivative financial instruments to mitigate natural gas price volatility. Amounts paid or received under these financial instruments are recognized as part of the cost of natural gas.

The Corporation mitigates natural gas price volatility to customers through the use of derivative products restricted to price swaps, call options and collars. These derivative products are applied to 90% of natural gas volumes that are certain to be required under a "warmest year" scenario for a period up to twelve months. A stringent control environment is maintained to manage any risks related to the application of derivatives.

Interest rate swap agreements transacted by the Province on the Corporation's behalf are utilized to manage the fixed and floating interest rate mix of the total debt portfolio, interest rate exposure, and related overall cost of borrowing. Interest rate swap agreements represent an agreement between two parties to periodically exchange payments of interest without the exchange of the principal amount upon which the payments are based. The Province may also enter into forward start interest rate swap arrangements where the agreement to exchange interest payments commences at some future date. In either swap arrangement, the terms of the debt advanced by the Province to the Corporation are amended by the swap.

o) ACQUISITION COSTS

Costs associated with the acquisition of Centra Gas Manitoba Inc. (Centra Gas) and Winnipeg Hydro have been deferred and are being amortized on a straight-line basis over a period of 30 years.

p) DEFERRED TAXES

The taxes paid by Centra Gas as a result of its change to non-taxable status on acquisition by Manitoba Hydro have been deferred and are being amortized, on a straight-line basis, over a period of 30 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

q) GOODWILL

Goodwill represents the amount of the Corporation's investments in Centra Gas and Winnipeg Hydro over and above the fair market value of the net assets acquired. The goodwill balance is evaluated annually to determine whether any impairment has occurred. An impairment would be recognized if it was determined that the carrying value of the Corporation's investments in Centra Gas or Winnipeg Hydro exceeded the present value of the future cash flows from these investments. Should impairment occur, it would be recorded as a charge against operations in the year of impairment.

r) USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

s) REGULATION

The prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba. The consolidated financial statements take into account certain regulatory accounting practices which differ from accounting practices applied in unregulated enterprises, and which relate specifically to select deferred charges and the retirement of property, plant and equipment.

NOTE 2 EXTRAPROVINCIAL REVENUES

	2004	2003
	millions of dollars	
United States	297	379
Canada	54	84
	351	463

The effective exchange rate for translation of U.S. revenues used as a hedge of long-term debt is $1.00 U.S. = $1.232 Canadian (2003 - $1.00 U.S. = $1.232 Canadian). If U.S. revenues designated as a hedge were recorded at average exchange rates prevailing throughout the year, U.S. revenues would have amounted to $302 million (2003 - $397 million).

NOTE 3 WATER RENTALS AND ASSESSMENTS

	2004	2003
	millions of dollars	
Water rentals	64	95
Land rentals and assessments	7	8
	71	103

Water rentals are paid to the Province for the use of water resources in the operation of the Corporation's hydroelectric generating stations. Water rental rates during the year were $3.34 per MWh (2003 - $3.34 per MWh).

NOTE 4 FINANCE EXPENSE

	2004	2003
	millions of dollars	
Interest on debt	565	590
Interest allocated to construction	(35)	(27)
Investment income	(43)	(84)
	487	479

Included in interest on debt is $70 million (2003 - $74 million) related to the Provincial Debt Guarantee Fee. The fee during the year was 0.95% of the total outstanding debt guaranteed by the Province (2003 - 0.95%).

Investment income includes interest earned on Canadian and U.S. sinking funds established for the retirement of long-term debt. U.S. sinking fund interest income designated as a hedge of U.S. denominated long-term debt is recorded at the historical book value rate of the associated debt. The effective exchange rate for translation of these revenues is $1.00 U.S. = $1.232 Canadian (2003 - $1.00 U.S. = $1.232 Canadian).

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

	2004			2003		
			millions of dollars			
	In Service	Accumulated Depreciation	Construction in Progress	In Service	Accumulated Depreciation	Construction in Progress
Generation						
- Hydraulic	4 200	1 164	233	4 110	1 106	182
- Thermal	469	165	4	452	147	16
Transmission						
- Lines	727	202	8	715	191	10
- Stations	1 925	760	73	1 841	711	49
Distribution	2 165	645	26	2 053	583	29
Other	913	305	34	820	304	70
	10 399	3 241	378	9 991	3 042	356

NOTE 6 BANK BALANCES AND TEMPORARY INVESTMENTS

	2004	2003
	millions of dollars	
Bank balances	6	–
Temporary investments	–	30
	6	30

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 SINKING FUND INVESTMENTS

As provided by The Manitoba Hydro Act, the Corporation pays an annual sinking fund installment to the Minister of Finance of the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31, and 4% of the balance in the sinking fund at such date. Payments to the sinking fund during the year were $106 million (2003 - $134 million). Income earned on sinking fund investments is included with investment income for the year.

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2004	2003
	millions of dollars	
Canadian investments	301	257
U.S. investments	414	691
	715	948

Canadian investments have a weighted average term to maturity of 2.6 years (2003 - 5.4 years) and an effective yield to maturity of 6.2% (2003 - 6.0%). U.S. investments have a weighted average term to maturity of 7.0 years (2003 - 5.7 years) and an effective yield to maturity of 4.7% (2003 - 4.8%). U.S. investments are translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.31 Canadian (2003 - $1.00 U.S. = $ 1.47 Canadian).

NOTE 8 PENSION ASSETS AND OBLIGATION

Manitoba Hydro employees are eligible for pensions under the Manitoba Civil Service Superannuation Fund (the Fund). The Fund is a defined benefit plan that requires the Corporation to contribute 50% of the pension disbursements made to retired employees. In addition, the former employees of Centra Gas are entitled to pension benefits earned under the Centra Gas curtailed pension plans up to December 31, 2000, for salaried employees and up to June 21, 2001, for union employees. The former Winnipeg Hydro employees continue to earn benefits under the City of Winnipeg Civic Employees' Benefit Program in which, upon its acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer.

The most recent actuarial valuations for the Corporation's pension obligation were performed with respect to the liabilities outstanding as at December 31, 2003. These valuations incorporated management's best estimate assumptions and took into consideration the long-term nature of the pension plans. The pension liability pertaining to the Fund amounted to $507 million at March 31, 2004 (2003 - $479 million).

The significant actuarial assumptions adopted in measuring the Corporation's pension and other employee benefit obligations are as follows:

	2004	2003
Discount rate	7.0%	7.0%
Expected long-term rate of return on plan assets	7.5%	7.5%
Rate of compensation increase, including merit and promotions	2.0-3.0%	2.0-3.0%

The Manitoba Civil Service Superannuation Board manages the assets of the Fund on behalf of the Corporation. Pension assets are valued at market rates and are invested as follows:

	2004	2003
	millions of dollars	
Bonds and debentures	228	205
Equities	268	187
Mortgages	-	10
Short-term investments	19	12
Real estate	41	43
Fair value of plan assets	556	457
Accrued benefit obligation	507	479
Fund status - plan surplus (deficit)	49	(22)
Net accrued valuation adjustments	56	115
Net expense	9	9
Benefits paid	20	19
Employee contributions	18	16

The return on pension fund assets was positive 21.6% (2003 negative 3.2%).

The weighted average term to maturity on fixed income investments is 8.8 years (2003 - 7.5 years).

Information about the curtailed Centra Gas defined benefit pension plans as at March 31, in aggregate, is as follows:

	2004	2003
	millions of dollars	
Fair value of plan assets	53	43
Accrued benefit obligation	66	65
Fund status - plan deficit	13	22
Net accrued valuation adjustments	13	22
Net expense	1	1
Benefits paid	4	3
Employer contributions	4	1

NOTE 9 DEFERRED DEBT COSTS

	2004	2003
	millions of dollars	
Deferred foreign exchange	166	513
Premium on purchase of sinking fund investments	36	42
Other	11	16
	213	571

Deferred foreign exchange represents the net translation gains and losses on U.S. long-term monetary items that will be offset through the translation of future U.S. firm revenue and investment income streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 OTHER DEFERRED COSTS

	2004	2003
	millions of dollars	
Power Smart programs	61	50
Planning studies	37	35
Deferred taxes	45	47
Pension valuation	56	115
Contract receivables	33	28
Site restoration costs	20	19
Acquisition costs	19	20
Other	39	30
	310	344

The amortization of deferred costs amounting to $19 million (2003 - $18 million) is included in depreciation and amortization expense.

NOTE 11 LONG-TERM DEBT

In 2004, the Corporation arranged long-term financing in the principal amount of $1 013 million (2003 - $734 million). Provincial advances were arranged for $955 million with fixed coupon rates in the range of 4.5% to 5.2% and $30 million with floating coupon rates starting at 2.1%. In addition, a $28 million Manitoba Hydro-Electric Board Bond was issued for mitigation projects with a fixed coupon rate of 10.0%.

	2004	2003
	millions of dollars	
Advances from the Province of Manitoba represented by debenture debt of the Province	6 493	6 375
Manitoba HydroBonds	673	684
Manitoba Hydro-Electric Board Bonds	224	209
	7 390	7 268
Less: Current portion of long-term debt	276	343
	7 114	6 925

Included in the current portion of long-term debt is $247 million (2003 - $304 million) of debt maturities and $29 million (2003 - $39 million) of floating-rate Manitoba HydroBonds with maturity dates in 2007 and 2008. Floating rate Manitoba HydroBonds are redeemable at the option of the holder.

Long-term debt, excluding Manitoba Hydro-Electric Board Bonds issued for mitigation projects in the amount of $64 million (2003 - $36 million), is guaranteed by the Province of Manitoba.

Debt principal amounts are summarized by fiscal years of maturity in the following table:

Years of Maturity	2004					2003
	millions of Canadian dollars					
	Canadian	U.S.	Total	Cdn Yields	U.S. Yields	Total
2005	276	–	276	3.6%	–	218
2006	106	–	106	4.6%	–	106
2007	72	–	72	6.1%	–	72
2008	294	–	294	5.5%	–	294
2009	–	323	323	–	5.9%	362
	748	323	1 071	5.3%	5.9%	1 052
2010-2014	758	767	1 525	5.2%	6.6%	1 101
2015-2042	2 699	2 095	4 794	8.1%	7.7%	4 772
	4 205	3 185	7 390	7.7%	7.5%	6 925

U.S. debt is translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.31 Canadian (2003 - $1.00 U.S. = $1.47 Canadian).

NOTE 12 NOTES PAYABLE

	2004	2003
	millions of dollars	
Canadian notes	81	128
U.S. notes	12	–
	93	128

Notes payable outstanding at March 31, 2004, have terms ranging from 1 to 62 days and bear interest at the average effective rate of 2.0% for Canadian notes (2003 - 2.8%) and 0.9% for U.S. notes. The Corporation has bank credit facilities that provide for overdrafts and notes payable up to an amount of $500 million denominated in Canadian and/or U.S. currency. U.S. notes are translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.31 Canadian (2003 $1.00 U.S. = $1.47 Canadian).

NOTE 13 DEFERRED LIABILITIES AND CREDITS

	2004	2003
	millions of dollars	
Mitigation liability (note 17)	121	118
Employee future benefits, excluding pensions	90	75
Refundable advances from customers	25	40
Decommissioning of thermal generating stations	15	16
Debt premium and expense	15	33
Interest income and other credits	28	19
	294	301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 ASSET PURCHASE OBLIGATION

Effective September 3, 2002, the Corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The results of Winnipeg Hydro's operations have been included in Manitoba Hydro's electric operations since that date. The Asset Purchase Obligation represents the net present value of payments to the City of Winnipeg of $25 million per annum in years 2004 to 2006, $20 million per annum in years 2007 to 2010, and $16 million per annum in year 2011 and each year thereafter in perpetuity.

NOTE 15 FINANCIAL INSTRUMENTS

Derivative Financial Instruments

The Corporation has entered into collar contracts until January 2005 to purchase 32 910 000 gigajoules of gas at a weighted average price of $5.51 per gigajoule. The weighted average forward price per the Alberta Energy Company Exchange at March 31, 2004 was $6.57 per gigajoule.

These contracts will be recorded in the month the gas is delivered. At March 31, 2004, the valuation of these contracts showed a positive fair value of $12 million. There were no unrecognized financial liabilities relative to these contracts.

Foreign Exchange Contracts

As at March 31, 2004, there were foreign exchange contract purchases of $15 million U.S. at a weighted average exchange rate of $1.31 (2003 - $15 million U.S. at a weighted average exchange rate of $1.47) and no foreign exchange contract sales (2003 - $15 million U.S. at a weighted average exchange rate of $1.47). The carrying values of the foreign exchange contracts approximate their fair value.

Fair Value

The estimated fair values of the Corporation's long-term debt and sinking fund investments are based on year-end market interest and exchange rates for similar debt and investment instruments. As at March 31, 2004, the estimated fair value of the Corporation's total long-term debt amounted to $9 238 million (2003 - $8 967 million). The estimated fair value of sinking fund investments which the Corporation uses for the purpose of repaying long-term debt amounted to $787 million at March 31, 2004 (2003 - $1 032 million).

The carrying values of all other financial assets and liabilities approximate fair value.

Interest Rate Risk

Interest rate risk is associated with notes payable net of temporary investments, the current portion of long-term debt net of the current portion of sinking fund investments, and floating rate long-term debt which totaled $1 436 million at March 31, 2004. For information purposes, an increase of 1% in the interest rate would reduce net income by $14 million for March 31, 2004 (2003 - $15 million).

Credit Risk

Credit risk on sinking fund investments, pension assets and short-term investments is minimized as the Corporation invests exclusively in government-guaranteed bonds, highly rated investments or well diversified investment portfolios. The majority of the Corporation's accounts receivable are owing from domestic consumers who are in diversified industries and from sales to other utilities. Credit risk in the export market is minimized through the application of established credit requirements.

Credit risk associated with counterparties is minimized by establishing minimum credit rating requirements, setting potential exposure limits and monitoring exposure against these limits, and when necessary, obtaining financial assurances from counterparties.

NOTE 16 COMMITMENTS AND CONTINGENCIES

Outstanding commitments, principally for construction, are approximately $151 million (2003 - $185 million). In addition, with the acquisition of Winnipeg Hydro, the Corporation made a commitment to commence construction of an office building in downtown Winnipeg on or before September 3, 2007.

The Corporation will incur future costs associated with the assessment and remediation of contaminated lands and for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment. Although these costs cannot be reasonably determined at this time, a contingent liability exists. The actual costs incurred are currently recorded in the period the remediation occurs.

NOTE 17 MITIGATION

The Corporation is party to an agreement dated December 16, 1977, with Canada, the Province of Manitoba and the Northern Flood Committee Inc., representing the five First Nations in the communities of Cross Lake, Nelson House, Norway House, Split Lake and York Landing. This agreement, in part, provides for compensation and remedial measures necessary to ameliorate the impacts of the Churchill River Diversion and Lake Winnipeg Regulation projects. Comprehensive settlements have been reached with all communities except Cross Lake.

Expenditures incurred to mitigate the impacts of the Churchill River Diversion and Lake Winnipeg Regulation projects amounted to $29 million during the year (2003 - $40 million). To March 31, 2004, $540 million (2003 - $511 million) has been spent in mitigating and compensating the project-related impacts.

The Corporation has also entered into agreements with the Province of Manitoba whereby the Corporation has assumed obligations of the Province with respect to northern development projects. The Corporation has assumed obligations, a portion of which remains outstanding, totaling $143 million (2003 - $144 million) for which water power rental charges were fixed until March 31, 2001.

In recognition of the anticipated mitigation payments to be incurred, the Corporation has recorded a total liability of $121 million (2003 - $118 million). Reassessments of this liability will be made as settlements are achieved. There are other mitigation issues, the outcomes of which are not determinable at this time.

NOTE 18 DISTRIBUTION TO THE PROVINCE OF MANITOBA

The Government of Manitoba enacted legislation amending The Manitoba Hydro Act to provide for a distribution from the retained earnings of Manitoba Hydro to the Province of Manitoba in each of the fiscal years 2002-03 and 2003-04. In accordance with the legislation, the distribution for the fiscal year 2003-04 would not exceed 75% of the Corporation's net income for the fiscal year. On this basis, no payments will be made for the year ended March 31, 2004. The total distribution in respect of fiscal year 2002-03 was $203 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 SEGMENTED INFORMATION

The Corporation operates primarily in two business segments, electricity and natural gas. Each segment has its particular economic characteristics and differs in nature, production processes and technology. The electricity segn encompasses the generation, transmission and distribution of electricity. The gas segment represents natural gas su and distribution activities through the operations of Centra Gas. The Corporate segment represents the costs to acq Centra Gas and to integrate its operations into those of Manitoba Hydro. These costs are allocated to gas and electr segments in accordance with the synergy benefits derived by each of these segments as a result of the acquisition.

The following table contains information related to the operating results, assets, liabilities and retained earnings by segn

	Electricity		Gas		Corporate		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
				millions of dollars				
Revenue	1 287	1 354	494	515	–	–	1 781	1 869
Expenses								
Operating & administrative	293	272	53	54	–	–	346	326
Depreciation & amortization	274	262	20	17	2	2	296	281
Water rentals & assessments	71	103	–	–	–	–	71	103
Fuel & power purchased	569	151	–	–	–	–	569	151
Capital & other taxes	51	48	22	18	–	–	73	66
Cost of gas sold	–	–	375	392	–	–	375	392
Finance expense	453	441	17	21	17	17	487	479
Total expenses	1 711	1 277	487	502	19	19	2 217	1 798
Net (loss) income before allocation	(424)	77	7	13	(19)	(19)	(436)	71
Corporate allocation	(4)	(4)	(15)	(15)	19	19	–	–
Net (loss) income after allocation	(428)	73	(8)	(2)	–	–	(436)	71
Total assets	9 357	9 651	546	583	–	–	9 903	10 234
Total liabilities	8 650	8 516	519	548	–	–	9 169	9 064
Total retained earnings	707	1 135	27	35	–	–	734	1 170

NOTE 20 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2003 have been reclassified in order to conform to the presentation adopt 2004.

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Corporation are properly safeguarded. As part of the financial statement audit performed by Ernst & Young LLP, they reviewed the Corporation's internal controls to the extent they considered necessary and reported their findings to management and the Board of Directors.

The responsibility of Ernst & Young LLP is to express an independent opinion on whether the financial statements are fairly stated in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

The Audit Committee of the Board meets with management and Ernst & Young LLP to satisfy itself that each group has properly discharged its respective responsibilities and to review the financial statements before approving them. The Board has reviewed and approved the financial statements for the fiscal year ended, March 31, 2004.

W. Hodgins

Winston Hodgins
President and CEO

Cheryl Eason

Cheryl Eason
Vice President, Finance and Administration

AUDITORS' REPORT

To the Board of Directors

Manitoba Lotteries Corporation:

We have audited the balance sheet of Manitoba Lotteries Corporation as at March 31, 2004 and the statements of net income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Winnipeg, Canada
May 14, 2004

MANITOBA LOTTERIES CORPORATION

BALANCE SHEET March 31, 2004 (in thousands)

ASSETS	Notes	2004	2003
Current Assets			
Cash		$ 25,049	$ 14,153
Accounts receivable	3	7,251	11,337
Inventories	4	3,505	4,432
Prepaid expenses	5	2,631	1,916
		38,436	31,838
Property and Equipment	6	168,748	169,506
Other Assets	7	5,982	5,731
		$ 213,166	$ 207,075

LIABILITIES AND EQUITY	Notes	2004	2003
Current Liabilities			
Accounts payable and accruals	8	$ 30,865	$ 24,042
Due to the Government of Manitoba		3,419	3,484
Due to organizations		17	67
Current portion of long term debt	9	650	648
		34,951	28,241
Long Term Debt	9	167,944	168,594
Accumulated Pension Benefits	2(f)	271	240
Total Liabilities		203,166	197,075
Commitments and contingencies	14,15		
Retained Earnings		5,000	5,000
Equity Advance from the Government of Manitoba	10	5,000	5,000
Total Equity		10,000	10,000
		$ 213,166	$ 207,075

(see accompanying notes to the financial statements)

On behalf of the Board,

Director and Chair of the Board

Director and Chair of the Audit Committee

MANITOBA LOTTERIES CORPORATION

STATEMENT OF NET INCOME AND RETAINED EARNINGS

for the year ended March 31, 2004 (in thousands)

	Notes	2004	2003
Revenue			
Gross revenue		$ 584,511	$ 617,664
Cost of sales		196,621	206,826
		387,890	410,838
Expenses			
Operating expenditures		113,186	106,984
Amortization		14,883	14,513
Interest expense - long term		10,492	10,240
Goods and services tax		4,365	4,477
		142,926	136,214
Other Income		1,247	1,602
Income before Allocations and Payments		246,211	276,226
Allocations and Payments	12		
Provinces of Alberta and Saskatchewan		2,698	2,585
Government of Canada		2,296	2,313
Addictions Foundation of Manitoba		1,866	1,898
Charitable organizations		3,932	3,946
		10,792	10,742
Net Income		235,419	265,484
Retained Earnings, beginning of the year		5,000	5,000
Allocation to the Government of Manitoba		(235,419)	(265,484)
Retained Earnings, end of the year		$5,000	$5,000

(see accompanying notes to the financial statements)

MANITOBA LOTTERIES CORPORATION

STATEMENT OF CASH FLOWS for the year ended March 31, 2004 (in thousands)

	Notes	2004	2003
Operating activities			
Net income		$ 235,419	$ 265,484
Non-cash charges to income:			
Amortization		14,766	14,513
Amortization related to First Nations Casinos		626	602
Amortization related to other assets		117	-
Loss on disposal of property and equipment		-	389
Deferred pension benefits		31	(131)
		250,959	280,857
Net changes in non-cash working capital items	16	11,071	(3,768)
Cash provided by operating activities		262,030	277,089
Investing activities			
Purchase of property and equipment		(14,634)	(12,411)
Additions to other assets		(368)	(30)
Cash used in investing activities		(15,002)	(12,441)
Financing activities			
Cash distributions to the Government of Manitoba:			
Current year		(232,000)	(262,000)
Prior year		(3,484)	(3,234)
Proceeds from long term debt		-	3,700
Repayment of long term debt		(648)	(22)
Cash used in financing activities		(236,132)	(261,556)
Increase in cash during the year		10,896	3,092
Cash, beginning of year		14,153	11,061
Cash, end of year		$ 25,049	$ 14,153
Supplemental cash flow information			
Interest paid		$ 10,558	$ 10,281

(see accompanying notes to the financial statements)

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2004

1. Background

The Manitoba Lotteries Foundation was established by the Manitoba Lotteries Foundation Act. On July 27, 1993, the Act was amended and continued under the Manitoba Lotteries Corporation Act. By consent of the Legislative Assembly of Manitoba, the organization continues its operations as a Crown corporation under the name of the Manitoba Lotteries Corporation (MLC).

2. Significant Accounting Policies

(a) Western Canada Lottery Corporation (WCLC)

The Western Canada Lottery Corporation (WCLC) was incorporated without share capital under Part II of the Canada Corporations Act on May 13, 1974. The Provincial Governments of Manitoba, Saskatchewan and Alberta are members in the Corporation, and the Yukon Territory, the Northwest Territories and Nunavut participate with the provinces as associate members in the sale of gaming products. Each province and territory has appointed a lottery organization to assist the WCLC with the distribution of gaming products in its jurisdiction (MLC for the province of Manitoba). The proportionate share of WCLC's sales and cost of sales is included in the financial statements based on relative sales levels by jurisdiction.

(b) Revenue and expense recognition

Revenue and expenses are recorded on an accrual basis except for lottery revenue. Lottery revenue is recorded as of the date of the draw with the exception of instant game revenue which is recorded at the time the ticket is activated by the retailer via the on-line accounting system for sale to customers. Video lottery and other gaming revenue is recorded net of prizes paid.

(c) Property, equipment and amortization

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and amortized on a straight-line basis according to their estimated useful lives. A half-year amortization is taken in the year of acquisition

Furniture and equipment	5 years
Gaming equipment	7 years
Buildings and parking lots	30 years
Leasehold improvements	Over term of lease
Capital lease – building	25 years
Assets related to First Nations Casino	7 years
Other Assets – (see note 7)	26 years

Capital assets related to First Nations Casinos under the Conduct and Management Agreement consist primarily of the cost of the gaming equipment and related hardware and software. The cost of the assets and related financing costs are amortized and recovered over the seven-year term of the Conduct and Management Agreement.

MANITOBA LOTTERIES CORPORATION continued

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2004

2. Significant Accounting Policies (continued)

(d) Goods and Services Tax

In lieu of Goods and Services Tax (GST) on lottery and gaming revenue, the Corporation foregoes claiming input tax credits and pays an additional 7% GST on gaming expenditures, including retailer commissions. This additional 7% is reported as GST expense.

The foregone input tax credit and the additional 7% GST paid on capital expenditures are included in the cost of the asset.

An input tax credit is claimed for GST paid on non-gaming expenditures.

(e) Inventories

Inventories are valued at the lower of cost and replacement value for replacement parts and the lower of cost and net realizable value for all other inventory.

(f) Pension costs

The Corporation makes contributions for employees and officers to a Money Purchase pension plan at prescribed rates. The pension expense related to this plan for the 2004 fiscal year is $2,118,000 (2003 - $1,622,000).

Certain other employees and officers of the Corporation are pensionable under the Civil Service Superannuation Fund (the Fund). The Corporation funded in total the actuarial present value of all prior accrued basic pension and indexing obligations as at December 31, 1997. The amount funded was $4.4 million. A reserve of $271,000 (2003 - $240,000) has been established as a pension liability for employees whose annual earnings exceed the limit under the Fund plan as a loss of $32,000 was experienced in the current fiscal year based on the triennial actuarial report of pension obligations as at December 31, 2001.

Effective January 1, 1998, the Corporation began matching employee contributions to the Fund at prescribed rates. Current service contributions are recorded as an operating expense. The pension expense related to this plan for the 2004 fiscal year is $120,000 (2003 - $78,000).

(g) Financial Instruments

Financial risk

> Financial risk is the risk to the Corporation's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to interest, though risks associated with interest rate fluctuations are mitigated through the use of fixed-rate long-term debt.

Credit risk

> Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation mitigates this risk through its credit management and collection practices.

Unless otherwise stated, the book value of cash, accounts receivable, accounts payable and accruals, due to the Government of Manitoba and due to organizations, and long-term debt approximate fair value.

(h) Foreign currency translation

Monetary assets and liabilities are translated at the year-end exchange rate while non-monetary assets and liabilities and revenues and expenses are translated at the exchange rate prevailing on the transaction date. All exchange gains and losses are reflected in earnings during the period they occurred.

(i) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(j) Promotional allowances

The retail value of food, beverages and other items provided on a complimentary basis to customers has been included in gross revenue and a corresponding amount has been deducted as promotional allowances. Costs of providing promotional allowances have been included in operating expenses.

3. Accounts Receivable (in thousands)

	2004	2003
Western Canada Lottery Corporation	$ 2,988	$ 4,585
Trade	2,809	4,903
Miscellaneous	618	1,142
First Nations	490	85
Employee computer program	215	266
Lottery retailers	106	106
Restaurant working capital advance	25	250
	$ 7,251	$ 11,337

4. Inventories (in thousands)

	2004	2003
Replacement parts	$ 2,221	$ 3,461
Breakopen tickets	880	653
Bingo paper	227	213
Store merchandise	94	105
Restaurant	83	-
	$ 3,505	$ 4,432

5. Prepaid Expenses (in thousands)

	2004	2003
Manitoba Gaming Control Commission fees	$ 1,603	$ 845
Insurance	477	480
Miscellaneous	241	368
Trade deposits	170	-
Rent	83	64
Warranties and maintenance contracts	57	159
	$ 2,631	$ 1,916

6. Property and Equipment (in thousands)

2004	**Cost**	**Accumulated Amortization**	**Net Book Value**
Land	$ 5,385	$ -	$ 5,385
Furniture and equipment	56,669	49,057	7,612
Gaming equipment	79,280	61,052	18,228
Buildings and parking lots	170,259	36,977	133,282
Leasehold improvements	5,643	5,081	562
Capital lease – building	644	145	499
Assets related to First Nations Casino	4,487	1,307	3,180
	$ 322,367	$ 153,619	$ 168,748

2003	**Cost**	**Accumulated Amortization**	**Net Book Value**
Land	$ 4,922	$ -	$ 4,922
Furniture and equipment	53,797	44,705	9,092
Gaming equipment	76,716	58,413	18,303
Buildings and parking lots	163,170	30,615	132,555
Leasehold improvements	5,568	5,011	557
Capital lease – building	644	121	523
Assets related to First Nations Casino	4,234	680	3,554
	$ 309,051	$ 139,545	$ 169,506

7. Other Assets

The Corporation entered into an agreement in December 2001 for the right to use 22.28 acres of land for 200 years. The land is being used for parking facilities at the McPhillips Street Station Casino. The facilities became available for use during the 2004 fiscal year, at which time the Corporation began depreciating the asset. The asset is presented net of accumulated amortization of $117,000 [see note 2 (c)].

8. Accounts Payable and Accruals (in thousands)

	2004	**2003**
Trade	$ **24,668**	$ 16,923
Vacation payable	**4,336**	4,066
Interest payable	**1,011**	917
Jackpot provision	**689**	1,236
Government of Manitoba	**161**	200
Land lease	–	700
	$ **30,865**	$ 24,042

9. Long Term Debt

	2004 (in thousands)	2003 (in thousands)
Province of Manitoba, bearing interest at 6.95%, interest only payable semi-annually, with all principal due at maturity on August 30, 2010.	**$ 135,000**	$ 135,000
Province of Manitoba, bearing interest at the prevailing Bankers Acceptance rate plus 1/4 of 1%, interest only payable quarterly, with all principal due at maturity on January 17, 2008. The interest rate on the debt at March 31, 2004 was 2.786%.	**30,000**	30,000
Province of Manitoba, bearing interest at 4.875%, re-payable in monthly installments of $52,000 plus interest until March 31, 2009.	**3,076**	3,700
Capital lease obligation to the Province of Manitoba, with a 3.75% implicit interest rate and annual minimum lease payments of $64,000 until July 13, 2017.	**518**	542
	$ 168,594	$ 169,242
Less current portion of long term debt and capital lease obligation	**650**	648
	$ 167,944	$ 168,594

Annual payments in future years are as follows (in thousands):

		Capital Lease	
	Loans	Principal	Interest
2005	$ 624	$ 26	$ 38
2006	624	28	36
2007	624	30	34
2008	30,624	32	32
2009	580	35	30
Subsequent years	135,000	367	124
	$ 168,076	$ 518	$ 294

The fair market value of long-term debt at March 31, 2004 is $190,323,000.

10. Equity Advance

The Equity advance reflects $5,000,000 for working capital provided to the Corporation by the Government of Manitoba.

11. Segmented Information

The Corporation's management has designated the areas of Video Lotto, Casinos and Lottery as its operating segments. All indirect costs have been allocated to the operating segments. A summary of these operating segments is as follows:

2004	**Video Lotto**	**Casinos of Winnipeg**	**Lottery**	**Total**
Revenue				
Gross revenue	$ 201,908	$ 207,758	$ 174,845	$ 584,511
Cost of sales	56,487	23,700	116,434	196,621
	145,421	184,058	58,411	387,890
Expenses				
Operating expenses	11,569	98,611	3,006	113,186
Amortization	531	14,330	22	14,883
Interest expense - long term	2,027	8,222	243	10,492
Goods and services tax	4,127	189	49	4,365
	18,254	121,352	3,320	142,926
Other Income	224	284	739	1,247
Income before Allocations and Payments	127,391	62,990	55,830	246,211
Allocations and Payments	1,154	4,463	5,175	10,792
Net Income	$ 126,237	$ 58,527	$ 50,655	$ 235,419

2003	**Video Lotto**	**Casinos of Winnipeg**	**Lottery**	**Total**
Revenue				
Gross revenue	$ 211,706	$ 224,135	$ 181,823	$ 617,664
Cost of sales	57,817	30,686	118,323	206,826
	153,889	193,449	63,500	410,838
Expenses				
Operating expenses	9,676	94,150	3,158	106,984
Amortization	532	13,958	23	14,513
Interest expense - long term	2,001	7,999	240	10,240
Goods and services tax	3,622	619	236	4,477
	15,831	116,726	3,657	136,214
Other Income	368	477	757	1,602
Income before Allocations and Payments	138,426	77,200	60,600	276,226
Allocations and Payments	1,159	4,496	5,087	10,742
Net Income	$ 137,267	$ 72,704	$ 55,513	$ 265,484

12. Allocations and Payments

(a) Provinces of Alberta and Saskatchewan
The Province of Manitoba is a member in the Western Canada Lottery Corporation (WCLC). An agreement is in place with the other members to provide economic benefit equalization. The cost to the Corporation for this allocation for the 2004 fiscal year is $2,698,000 (2003 - $2,585,000).

(b) Payment to Government of Canada
Effective January 1, 1980 the Government of Canada terminated its involvement in lotteries. In return, the ten provinces are to contribute an annual sum of $24,000,000, adjusted for inflation, to the Federal Government. The Province of Manitoba's share for the 2004 fiscal year is $2,296,000 (2003 - $2,313,000).

(c) Addictions Foundation of Manitoba
The Corporation provides funding to the Addictions Foundation of Manitoba (AFM) for its problem gambling services programming. Funding provided to the AFM for the 2004 fiscal year is $1,866,000 (2003 - $1,898,000).

(d) Charitable organizations
The Corporation provides over four hundred charitable organizations the opportunity to raise funds for their organizations by assisting the Corporation in the bingo events held at its casinos. Payments made to these organizations for the 2004 fiscal year amount to $3,932,000 (2003 - $3,946,000).

13. First Nations Casino

The Government of Manitoba has overall control over gaming in Manitoba in accordance with the requirements of the Criminal Code of Canada, and has appointed MLC to act as its agent in the Conduct and Management of the gaming regime. Through a selection process, the Government has provided certain First Nations the opportunity to operate casinos, with MLC maintaining the Conduct and Management authority over these casinos. MLC is allowed to recover its expenses from the First Nations Casino in carrying out its Conduct and Management role.

14. Lease Obligations

The future minimum rental payments relating to operating leases are as follows:

	(in thousands)
2005	$ 593
2006	509
2007	365
2008	202
2009	198
Subsequent years	2,037
	$ 3,904

NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2004

15. Commitments and Contingencies

Incident to the nature of its business, the Corporation is defending various legal actions and claims that are pending. While the outcome of these claims cannot be determined, management is of the opinion that the appropriate provisions have been made in the accounts, and the ultimate outcome will not have a material adverse effect on the Corporation's financial position.

In addition, the Corporation has entered into an agreement with the Manitoba Jockey Club Inc., in the amount of $14,750,000 covering the period January 1, 2004 to December 31, 2006. No amounts have been accrued in these financial statements for this commission amount.

16. Net Change in Non-cash Working Capital Items

(in thousands)

	2004	2003
Net decrease (increase) in current assets		
Accounts receivable	$ 4,086	$ (1,931)
Inventories	927	(268)
Prepaid expenses	(715)	(124)
	4,298	(2,323)
Net increase (decrease) in current liabilities		
Accounts payable and accruals	6,823	(1,323)
Due to organizations	(50)	(122)
	6,773	(1,445)
Net change in non-cash working capital	$ 11,071	$ (3,768)

17. Subsequent Event

Subsequent to this year-end, Manitoba Lotteries Corporation has committed to the replacement of Video Lottery Terminals in age restricted locations across the province. The estimated cost of these replacements is $75,000,000, which will be financed through The Province of Manitoba.

MANITOBA LOTTERIES CORPORATION

SCHEDULE OF NET INCOME for the year ended March 31, 2004 (in thousands)

	2004	2003
Revenue		
Gross revenue	$ 584,511	$ 617,664
Cost of sales	196,621	206,826
	387,890	410,838
Expenses		
Operating expenses		
Salaries and benefits	70,829	68,311
Maintenance equipment	14,123	12,435
Tourism marketing	4,148	3,605
Property taxes	3,854	3,595
Utilities	2,916	3,167
Postage, printing and supplies	2,971	2,745
Consultant fees	2,163	2,149
Pension	2,225	1,562
Telecommunications	1,643	1,540
Health and education tax	1,366	1,345
Gaming control registration fee	1,483	1,238
Maintenance transportation	885	870
Transportation and vehicles	446	536
Community support	1,259	511
Sundry	2,875	3,375
	113,186	106,984
Amortization	14,883	14,513
Interest expense - long term	10,492	10,240
Goods and services tax	4,365	4,477
	142,926	136,214
Other Income	1,247	1,602
Income before Allocations and Payments	246,211	276,226
Allocations and Payments	10,792	10,742
Net Income	$ 235,419	$ 265,484

AUDITORS' REPORT

To the Board of Directors of
Manitoba Product Stewardship Corporation

We have audited the balance sheet of **Manitoba Product Stewardship Corporation** as at March 31, 2004 and the statements of operations and fund balance and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
May 21, 2004.

Chartered Accountants

Manitoba Product Stewardship Corporation

Incorporated under the laws of Manitoba

BALANCE SHEET

As at March 31

	2004 $	2003 $
ASSETS		
Current		
Cash and term deposits *[note 2]*	**5,260,412**	5,784,215
Interest receivable	**17,045**	21,681
Levies receivable	**630,899**	603,112
Prepaid expenses and deposits	**11,837**	10,410
Total current assets	**5,920,193**	6,419,418
Capital assets *[note 3]*	**22,192**	26,274
	5,942,385	6,445,692
LIABILITIES AND FUND BALANCE		
Current		
Accounts payable and accrued liabilities	**118,875**	105,845
Recycling support payments payable	**1,803,909**	906,690
Provision for credits on levy revenue	**—**	25,000
Total current liabilities	**1,922,784**	1,037,535
Fund balance		
Multi-Material WRAP Fund	**4,019,601**	5,408,157
	5,942,385	6,445,692

See accompanying notes

Manitoba Product Stewardship Corporation

STATEMENT OF OPERATIONS AND FUND BALANCE

Year ended March 31

	2004 $	2003 $
REVENUE		
Beverage levy revenue	**7,574,103**	7,237,053
Levy rebates	**(200,668)**	(199,124)
Interest *[note 2]*	**165,465**	178,072
	7,538,900	7,216,001
EXPENSES		
Programs		
Municipal		
Recycling support payments to municipalities	**7,436,010**	6,494,384
Municipal support	**86,460**	113,034
	7,522,470	6,607,418
Steward		
Compliance of WRAP Act	**24,075**	26,750
School		
STAR – school honorariums	**365,500**	354,000
STAR Plus – post secondary	**141,700**	138,508
School promotion and education	**103,279**	130,825
	610,479	623,333
Corporate promotion/partnerships		
Anti-litter campaign	**58,159**	79,890
Advertising and promotion	**53,665**	58,989
Partnerships/sponsorships	**29,066**	61,338
	140,890	200,217
	8,297,914	7,457,718
Administrative *[schedule]*	**629,542**	652,245
	8,927,456	8,109,963
Excess of expenses over revenue	**(1,388,556)**	(893,962)
Fund balance, beginning of year	**5,408,157**	6,302,119
Fund balance, end of year	**4,019,601**	5,408,157

See accompanying notes

Manitoba Product Stewardship Corporation

STATEMENT OF CASH FLOWS

Year ended March 31

	2004 $	2003 $
OPERATING ACTIVITIES		
Excess of expenses over revenue	**(1,388,556)**	(893,962)
Add charges to operations not requiring a current cash payment		
Amortization	**12,023**	11,731
	(1,376,533)	(882,231)
Net change in non-cash working capital balances related to operations		
Interest receivable	**4,636**	(4,035)
Levies receivable	**(27,787)**	(13,226)
Prepaid expenses and deposits	**(1,427)**	(227)
Accounts payable and accrued liabilities	**13,030**	(25,534)
Recycling support payments payable	**897,219**	(528,677)
Provision for credits on levy revenue	**(25,000)**	(17,914)
Cash used in operating activities	**(515,862)**	(1,471,844)
INVESTING ACTIVITIES		
Purchase of capital assets	**(7,941)**	(8,967)
Cash used in investing activities	**(7,941)**	(8,967)
Decrease in cash during the year	**(523,803)**	(1,480,811)
Cash position, beginning of year	**5,784,215**	7,265,026
Cash position, end of year	**5,260,412**	5,784,215

Cash position consists of cash and term deposits.

See accompanying notes

Manitoba Product Stewardship Corporation

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Manitoba Product Stewardship Corporation ["MPSC"] was established under the Waste Reduction and Prevention Act ["WRAP"] – Multi-Material Stewardship (Interim Measures) Regulations [the "Regulations"] with the following objectives:

[a] To establish and administer a waste reduction and prevention program for designated materials for Manitoba;
[b] To provide for the effective, efficient and economical management of waste designated materials; and
[c] To administer the Multi-Material WRAP Fund.

The Multi-Material WRAP Fund is an industry-operated fund which provides for, among other initiatives, recycling support payments to municipal and local governments for eligible materials recovered from residential waste and delivered to an approved recycling facility. The Fund is currently funded by collection of levies on beverage containers supplied by a steward of beverage containers (Product Steward) to be consumed in Manitoba.

MPSC is exempt from income tax under Section 149 of the Income Tax Act.

Levy revenue and recycling support payments to municipalities

Levy revenue is charged on all non-deposit [excluding dairy] beverage containers supplied for consumption in Manitoba, subject to certain exemptions, by a Product Steward. Pursuant to the Regulations, a Product Steward is defined as the first person or business in Manitoba who, in the course of business, supplies beverages in containers to another person or business. Beverage levy revenue is recognized when the amount is received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Product Stewards are eligible for credits if the beverage containers on which levies have been previously paid were supplied to consumers outside of Manitoba or if the levies are inadvertently paid by two Product Stewards on the same beverage containers. Levies are collected and credits are paid based on self assessments as reported by Product Stewards.

Recycling Support Payments to municipalities are paid to registered Manitoba municipalities based on the tonnage of eligible materials delivered to an approved recycling facility as reported by the municipalities to MPSC.

NOTES TO FINANCIAL STATEMENTS

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided for by the following annual rates and methods:

Furniture and fixtures	20%	declining balance
Computer hardware	30%	declining balance
Computer software	100%	straight line

Financial instruments

Financial instruments include cash and term deposits, interest receivable, levies receivable, accounts payable and accrued liabilities and recycling support payments payable. It is management's opinion that MPSC is not exposed to significant interest, currency, or credit risks arising from these financial instruments. Due to their short-term nature, the book value of the MPSC's financial assets and liabilities approximates their fair value.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. CASH AND TERM DEPOSITS

Included in cash and term deposits are term deposits recorded at cost, held in trust by the Department of Finance of the Province of Manitoba. The term deposits bear interest at 2.30% [2003 - 2.85%] per annum and mature on May 3, 2004.

3. CAPITAL ASSETS

	2004			2003		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Furniture and fixtures	**25,461**	**16,687**	**8,774**	21,307	15,012	6,295
Computer						
Hardware	**76,431**	**64,907**	**11,524**	76,431	59,968	16,463
Software	**147,782**	**145,888**	**1,894**	143,995	140,479	3,516
	249,674	**227,482**	**22,192**	241,733	215,459	26,274

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

4. LEASE COMMITMENTS

MPSC rents office space and equipment under various leases which expire over the next two years. Future minimum lease payments required are as follows:

	$
2005	66,978
2006	59,902

5. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

Manitoba Product Stewardship Corporation

SCHEDULE OF ADMINISTRATIVE EXPENSES

Year ended March 31

	2004 $	2003 $
Board members' expenses	**5,014**	17,151
Communication	**14,803**	16,425
Contract financial management	**45,202**	30,230
Amortization	**12,023**	11,731
Equipment, leasing, repairs and maintenance	**21,347**	27,163
Insurance	**12,167**	9,459
Office	**48,869**	67,822
Professional fees	**15,369**	17,655
Promotion	**1,923**	3,212
Rent	**45,258**	42,702
Salaries, wages and benefits	**400,077**	399,449
Subscriptions	**6,153**	6,668
Travel and automotive	**1,337**	2,578
	629,542	652,245

See accompanying notes

Responsibility for Financial Statements

The financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report is consistent with that in the financial statements. The financial statements necessarily include amounts that are based on management's best estimate and judgments which have been reached based on careful assessment of data available through the Corporation's information systems. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the Corporation.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by the Internal Audit Department.

The financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit Committee (the "Committee"), which consists primarily of Directors not involved in the daily operations of the Corporation.

The general responsibilities of the Committee are categorized into the following: review of financial reporting, review of internal controls and processes, review of actuarial functions, monitoring of corporate integrity, compliance with authorities and review of performance reporting. The Committee's role is that of oversight in these areas in order to ensure management processes are in place and functioning so as to identify and minimize risks to the business operations.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Corporation's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

The Committee is responsible for the review of the actuarial function. As well, the Committee recommends, for approval, the appointment of the external actuary and his fee arrangements to the Board of Directors. The actua is responsible for ensuring that the assumptions and methods used in the valuation of policy and claims liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. In addition, the actuary provides an opinion regarding the valuation of policy and claims liabilities at the balance sheet date to meet all policyholder obligation of the Corporation. Examination of supporting data for accuracy and completeness of assets and their ability to meet the policy and claims liabilities are important elements in forming the actuary's opinion.

KPMG LLP, the Corporation's appointed external auditors, have audited the financial statements. Their Auditors' Report is included herein. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position of the Corporation in accordance with Canadian generally accepted accounting principles.

J W Zacharias

J.W. Zacharias
PRESIDENT AND CHIEF EXECUTIVE OFFICER
April 28, 2004

B.W. Galenzoski
VICE PRESIDENT CORPORATE FINANCE
CHIEF FINANCIAL OFFICER AND
CHIEF ADMINISTRATION OFFICER

Auditors' Report

To the Board of Directors of Manitoba
Public Insurance Corporation:

We have audited the balance sheet of Manitoba Public Insurance Corporation as at February 29, 2004 and the statements of operations, retained earnings, basic insurance rate stabilization reserve and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at February 29, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS
Winnipeg, Canada
April 28, 2004

Actuary's Report

To the Board of Directors of Manitoba
Public Insurance Corporation:

I have valued the policy liabilities of Manitoba Public Insurance Corporation for its balance sheet at February 29, 2004 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly present the results of the valuation.

Jim Christie

James K. Christie
FELLOW, CANADIAN INSTITUTE OF ACTUARIES
Winnipeg, Manitoba
April 28, 2004

Financial Statements

Balance Sheet

	FEBRUARY 29/28	
(IN THOUSANDS OF DOLLARS)	2004	2003
Assets		
Cash and investments *(Note 4)*	$ 1,459,869	$ 1,278,359
Due from other insurance companies	3,344	637
Accounts receivable	194,452	169,467
Deferred policy acquisition costs	11,869	7,929
Reinsurers' share of unearned premiums	12,955	11,191
Reinsurers' share of unpaid claims *(Note 7)*	53,384	56,657
Property and equipment *(Note 5)*	29,283	28,210
Deferred development costs	2,459	5,985
	1,767,615	1,558,435
Liabilities, Basic Insurance Rate Stabilization Reserve and Retained Earnings		
Due to other insurance companies	11,880	13,393
Accounts payable and accrued liabilities	22,419	23,643
Unearned premiums	340,189	321,544
Provision for employee current benefits	9,767	9,383
Provision for employee future benefits *(Note 6)*	109,486	96,161
Provision for unpaid claims *(Note 7)*	1,125,195	982,895
	1,618,936	1,447,019
Basic insurance rate stabilization reserve	42,773	35,366
Retained earnings *(Note 14)*	105,906	76,050
	148,679	111,416
	$ 1,767,615	$ 1,558,435

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

Shari Decter Hirst
CHAIRPERSON

Kerry Bittner
DIRECTOR

Financial Statements

Statement of Operations

	YEARS ENDED FEBRUARY 29/28	
(IN THOUSANDS OF DOLLARS)	2004	2003
Revenue		
Premiums written	$ 680,265	$ 641,471
Premiums earned *(Note 8)*	$ 663,966	$ 621,476
Service fees	15,253	13,667
Total earned revenues	679,219	635,143
Claims Costs		
Claims incurred *(Note 8)*		
Current year	581,921	560,966
Prior years *(Note 7)*	(2,998)	(26,372)
	578,923	534,594
Claims expense	75,900	67,256
Loss prevention/Road safety	7,412	7,659
	662,235	609,509
Expenses		
Commissions	38,719	32,810
Operating	48,378	47,690
Premium taxes	20,362	18,980
Regulatory/Appeal	1,931	1,783
	109,390	101,263
Total claims and expenses	771,625	710,772
Underwriting loss	(92,406)	(75,629)
Investment income, net *(Note 10)*	128,905	52,835
Net income (loss) before the undernoted	36,499	(22,794)
Discontinued operations *(Note 11)*	764	189
Net income (loss) *(Note 13)*	$ 37,263	$ (22,605)

The accompanying notes are an integral part of these financial statements.

Financial Statements

Statement of Basic Insurance Rate Stabilization Reserve

(IN THOUSANDS OF DOLLARS)	YEARS ENDED FEBRUARY 29/28 2004	2003
Balance beginning of year	$ 35,366	$ 50,461
Net income (loss) *(Note 13)*	3,358	(30,135)
Surplus distribution *(Note 12)*	—	525
Transfer from Special Risk Extension *(Note 14)*	4,049	14,515
Basic insurance rate stabilization reserve balance end of year	$ 42,773	$ 35,366

Statement of Retained Earnings

(IN THOUSANDS OF DOLLARS)	YEARS ENDED FEBRUARY 29/28 2004	2003
Balance beginning of year	$ 76,050	$ 83,035
Net income *(Note 13)*	33,905	7,530
Transfer to basic insurance rate stabilization reserve from Special Risk Extension *(Note 14)*	(4,049)	(14,515)
Retained earnings balance end of year	$ 105,906	$ 76,050

The accompanying notes are an integral part of these financial statements.

Financial Statements

Statement of Cash Flows

(IN THOUSANDS OF DOLLARS)	YEARS ENDED FEBRUARY 29/28 2004	2003
Cash Flows from (to) Operating Activities:		
Net income (loss)	$ 37,263	$ (22,605)
Surplus distribution *(Note 12)*	—	525
Discontinued operations	(764)	(189)
Non-cash items:		
Amortization of property and equipment and deferred development costs	7,875	7,639
Amortization of bond discount and premium	796	(794)
Gain on sale of investments	(9,195)	(15,669)
Write-down of investments	—	699
	35,975	(30,394)
Increase in cash and short-term investments from discontinued operations	63	59
Net change in non-cash balances:		
Due from other insurance companies	(2,707)	887
Accounts receivable	(24,985)	(32,953)
Deferred policy acquisition costs	(3,940)	3,659
Reinsurers' share of unearned premiums and unpaid claims	1,509	2,166
Due to other insurance companies	(1,513)	3,660
Accounts payable and accrued liabilities	(1,224)	4,743
Unearned premiums	18,645	23,592
Provision for employee current benefits	384	516
Provision for employee future benefits	13,325	9,075
Provision for unpaid claims	142,949	107,635
	142,443	122,980
	178,481	92,645
Cash Flows from (to) Investing Activities:		
Acquisition of property and equipment net of proceeds from disposals	(5,256)	(5,053)
Purchase of investments	(504,625)	(407,661)
Proceeds from sale of investments	273,288	353,766
Deferred development costs incurred	(166)	(650)
	(236,759)	(59,598)
Increase (Decrease) in Cash and Short-Term Investments	(58,278)	33,047
Cash and short-term investments beginning of year	146,166	113,119
Cash and Short-Term Investments end of year *(Note 4)*	$ 87,888	$ 146,166

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

1. Status of the Corporation

The Manitoba Public Insurance Corporation (the "Corporation") was incorporated as a Crown Corporation under *The Automobile Insurance Act* in 1970. In 1974, *The Automobile Insurance Act* was revised and became *The Manitoba Public Insurance Corporation Act* (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba.

Under the provisions of its Act and regulations, the Corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for basic universal compulsory automobile insurance, extension and special risk coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies.

2. Basis of Reporting

The financial statements of the Corporation are in such form as prescribed by Section 43(1) of The Manitoba Public Insurance Corporation Act and are presented in accordance with Canadian generally accepted accounting principles.

The external actuary is appointed by the Board of Directors of the Corporation. With respect to preparation of these financial statements, the external actuary is required to carry out a valuation of the policy liabilities and to report thereon to the Corporation's Board of Directors.

The external actuary, in his verification of the information prepared by the Corporation used in the valuation, also uses the work of the external auditors.

The external auditors are appointed by the Lieutenant Governor in Council to conduct an independent and objective audit of the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors also make use of the work of the external actuary and his report on the Corporation's policy liabilities. The external auditors' report outlines the scope of their audit and their opinion.

3. Summary of Significant Accounting Policies

This summary outlines those accounting policies followed by the Corporation which have a significant effect on the financial statements.

Investments

Funds available for investments are invested by the Department of Finance, on behalf of the Corporation, in accordance with Section 12(1) of The Manitoba Public Insurance Corporation Act.

Investments in bonds are carried at amortized costs. The applicable discounts or premiums are amortized over the life of the bond.

Investments in equities and other investments are carried at cost. Dividends on equity investments are recognized on an accrual basis.

Gains and losses on investments are recognized on the date of sale. Investments are written down to market value when there is a decline in value that is considered other than temporary.

The Corporation has invested in an equity-linked note that is similar to a bond instrument, except for the interest component which is indexed to the Standard & Poor's 500 Composite Stock Price Index. Any interest component arising from changes in the index is recorded currently in the Statement of Operations under the heading "Investment income, net."

The Corporation may invest in total return swaps as part of its investment strategy to provide limited exposure to certain equity markets. Total return swaps are financial instruments whose value is derived from an underlying financial instrument, product or index. Total return swaps are recorded at fair value at the balance sheet date and presented under the heading "Cash and investments." Any gains or losses arising from changes in fair value are recorded currently in the Statement of Operations under the heading "Investment income, net."

Deferred Policy Acquisition Costs

Commissions and premium taxes are deferred and charged to expense over the term of the insurance contract to which such costs relate.

Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis which will amortize the cost of each asset over its estimated useful life:

Land improvements	25 years
Buildings	40 years
Equipment:	
Data processing	3 years
Automotive	5 years
Other	10 years

Leasehold improvements are amortized over the term of the lease plus the first renewal period.

Deferred Development Costs

The costs of developing major information systems which are expected to be of continuing benefit to the Corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and are amortized on a straight-line basis over five years.

Unearned Premiums

The liability for unearned premiums is the portion of premiums that relate to the unexpired term of each insurance contract.

Provision for Employee Benefits

Provision for Employee Current Benefits

The provision for employee current benefits includes an accrual for vacation pay determined in accordance with the Collective Agreement.

Provision for Employee Future Benefits

Included in the provision for employee future benefits are the pension benefit plan and other benefit plans.

i) *Pension Benefit Plan*

The employees of the Corporation are members of a defined benefit pension plan administered under the Civil Service Superannuation Act. Included in the accounts is a provision for the employer's future pension liability calculated on an indexed basis. The provision for pension is actuarially determined on an annual basis using the projected benefit method prorated on services. The actuarial present value of the accrued pension benefits is measured using the Corporation's best estimates based on assumptions relating to market interest rates at the measurement date based on high quality debt instruments, salary changes, withdrawals and mortality rates. Experience gains and losses are amortized over the expected average remaining service life of the employee group.

ii) *Other Benefit Plans*

Other benefit plans consist of post-retirement extended health and severance pay benefits.

The provision for post-retirement extended health benefits is actuarially determined on an annual basis using the projected benefit method prorated on services, which includes the Corporation's best estimates based on assumptions relating to retirement ages of employees and expected health costs.

Employees of the Corporation are entitled to severance pay in accordance with the Collective Agreement and Corporation policy. The provision for severance pay is actuarially determined on an annual basis using the projected benefit method prorated on services, without salary projection, which includes the Corporation's best estimates based on assumptions relating to the proportion of employees that will ultimately retire.

Provision for Unpaid Claims

The provision for unpaid claims represents an estimate for the full amount of all costs, including adjustment expenses, and the projected final settlements of claims incurred to the balance sheet date. These provisions take into account the time value of money. These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. To recognize the uncertainty in establishing these estimates and to allow for possible deterioration in experience, actuaries include explicit margins for adverse deviation, in their assumptions. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded as incurred claims in the current period.

Salvage and Subrogation

Recoveries from salvage and subrogation are recorded as an offset to claim costs. Expected future subrogation recoveries are included in the provision for unpaid claims.

Premium Deficiencies

A premium deficiency exists when future claims and related expenses exceed unearned premiums.

Premium deficiencies are recognized first by writing down the deferred policy acquisition costs with any remainder recognized as a liability.

Allocation of Revenue, Claims Incurred and Expenses

Premiums written, premiums earned and claims incurred are allocated directly to the division writing the insurance risk.

Investment income is allocated to the automobile insurance division lines of business and the discontinued general insurance division based on a monthly averaging of the funds available within each division.

Expenses, including claims expense, are allocated to the automobile insurance division lines of business on the following basis:

i) Identifiable direct expenses are charged to each line of business.

ii) Where direct allocation is not possible, expenses are prorated to each line of business based mainly on factors such as space, number of employees and time usage. The formulas developed for the allocation of expenses are approved by the Board of Directors.

Reinsurance Ceded

Premiums, claims and expenses are reported net of amounts due to and recoverable from reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable to policyholders.

The reinsurers' share of unearned commissions is recognized as a liability in a manner which is consistent with the method used in determining deferred policy acquisition costs.

The reinsurers' share of unearned premiums is recognized as an asset in a manner which is consistent with the method used in determining the unearned premium liability.

Foreign Currency

Monetary items denominated in foreign currencies are adjusted to reflect the exchange rate in effect at the year-end. Revenue and expense items in foreign currencies are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

Notes to Financial Statements

FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

The Corporation uses currency swaps and forward exchange contracts to manage the currency risk on specific foreign exchange denominated assets. Any gains or losses are recorded in the Statement of Operations under the heading "Investment income, net," on a fair value basis.

Basic Insurance Rate Stabilization Reserve

The basic insurance rate stabilization reserve relates to basic compulsory automobile insurance and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors.

Retained Earnings

Retained earnings are comprised of the accumulation of net income or losses for the extension, special risk and discontinued lines of business.

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. Cash and Investments

(IN THOUSANDS OF DOLLARS)	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and short-term investments	$ 87,888	$ 87,888	$ 146,166	$ 146,166
Bonds				
Federal	219,320	237,756	154,840	162,762
Manitoba:				
Provincial	121,391	129,931	120,098	125,316
Municipal	40,373	40,429	42,691	42,788
Hospitals	14,972	14,989	15,471	15,490
Schools	279,185	279,185	261,467	261,467
Other Provinces	356,054	378,691	328,046	337,957
Corporations	67,819	70,910	60,356	63,756
Equity-linked note	20,000	20,000	20,000	20,000
	1,119,114	1,171,891	1,002,969	1,029,536
Other	4,874	4,874	4,734	4,734
Equity investments and total return swaps	247,993	263,148	124,490	129,895
	252,867	268,022	129,224	134,629
	$ 1,459,869	$ 1,527,801	$ 1,278,359	$ 1,310,331

Fair value, for cash and short-term investments, approximates carrying value due to the short-term maturity of these financial instruments.

The fair value of bonds for federal, provincial, certain municipal, other provinces and corporations is estimated based on bid prices of these or similar investments.

The fair value of certain municipal, hospital, school bonds and other is based on their carrying value which approximates market value.

The fair value of the equity-linked note and equity investments is based upon quoted market values.

The fair value of the portfolio of total return swaps is based upon market prices of the underlying stock market indices at the balance sheet date, net of estimated unwinding costs.

Investment Risk

Investments carry certain financial risks including interest rate, cash flow and credit risk. The Corporation manages these risks through the Investment Committee of the Board, which meets quarterly to discuss strategy. The investment objectives and goals of the Corporation are embodied in an Investment Policy document, which sets target asset allocation and portfolio concentration limits as well as defining the credit quality of the counterparties and the percentage of highly liquid investments required to meet cash flow needs. Credit risk is also managed through the use of master netting agreements in all total return swap contracts. Such agreements provide for the simultaneous close-out and netting of transactions with a counterparty in the event of default.

Significant terms and conditions, exposure to interest rate and credit risks on investments are:

i) *Cash and short-term investments*

Cash consists of cash net of cheques issued in excess of amounts on deposit. Included in cash and short-term investments are funds held in trust on behalf of other insurance companies in the amount of $11,576,000 (2003–$5,500,000).

Short-term investments have a total principal amount of $74,436,000 (2003–$130,897,000) comprised of provincial short-term deposits with effective interest rates of 2.05% to 2.25% (2003–2.55% to 2.80%), with interest receivable at varying dates.

ii) *Bonds—interest rate risk*

		2004		2003	
	Interest Receivable Basis	Effective Rate	Coupon Rate	Effective Rate	Coupon Rate
		% Range		% Range	
Federal	semi-annual	2.39 to 5.05	4.00 to 8.75	3.58 to 5.44	4.00 to 8.75
Provincial	semi-annual	2.24 to 11.03	2.71 to 10.50	3.23 to 5.93	4.75 to 10.50
Municipal	semi-annual	2.27 to 13.51	5.38 to 14.88	3.45 to 14.06	6.00 to 14.88
Hospitals	semi-annual	10.13 to 13.49	10.13 to 13.63	10.13 to 13.56	10.13 to 13.63
Schools	semi-annual	5.66 to 13.61	5.75 to 14.75	5.66 to 13.95	5.75 to 14.75
Corporations	semi-annual	1.97 to 5.20	3.96 to 11.00	3.25 to 10.20	5.00 to 11.25

The Corporation has allocated investments with an average yield of 10.5% (2003–9.5%) to maturity to fully fund pre-March 1, 1994 weekly indemnity discounted unpaid claims of approximately $22.4 million.

i) Bonds—maturity profile

(IN THOUSANDS OF DOLLARS)	2004			
	Within One Year	One Year to Five Years	After Five Years	Total Carrying Value
Federal	$ —	$ 41,494	$ 177,826	$ 219,320
Manitoba:				
Provincial	2,030	37,119	82,242	121,391
Municipal	2,376	5,718	32,279	40,373
Hospitals	196	14,776	—	14,972
Schools	1,420	23,145	254,620	279,185
Other Provinces	5,219	89,880	260,955	356,054
Corporations	8,103	33,835	25,881	67,819
	19,344	245,967	833,803	1,099,114
Equity-linked note	—	20,000	—	20,000
	$ 19,344	$ 265,967	$ 833,803	$ 1,119,114

(IN THOUSANDS OF DOLLARS)	2003			
	Within One Year	One Year to Five Years	After Five Years	Total Carrying Value
Federal	$ —	$ 26,488	$ 128,352	$ 154,840
Manitoba:				
Provincial	4,371	15,634	100,093	120,098
Municipal	726	5,794	36,171	42,691
Hospitals	79	419	14,973	15,471
Schools	850	15,051	245,566	261,467
Other Provinces	—	33,919	294,127	328,046
Corporations	5,364	8,177	46,815	60,356
	11,390	105,482	866,097	982,969
Equity-linked note	—	20,000	—	20,000
	$ 11,390	$ 125,482	$ 866,097	$ 1,002,969

Total Return Swaps

In the normal course of operations, the Corporation may enter into total return swaps to provide a return based upon an underlying Canadian and/or USA equity index. The agreements provide that, at predetermined future dates, the Corporation pays a fixed interest amount based upon a notional principal amount and receives a return based upon the underlying equity index.

The notional amounts of total return swaps are not recorded as assets or liabilities on the balance sheet as they represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged under the contracts. Notional amounts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with market risk or credit risk of such instruments.

At February 29, 2004 the notional amount of total return swaps was $ nil (2003-$70,387,000).

Currency Risk

i) Currency Swap

The Corporation has entered into a currency swap relating to a Province of Quebec provincial bond denominated in US dollars for $10,000,000. The currency swap provides a fixed 5.76% return in Canadian dollars. The agreement also provides that at predetermined future dates, the Corporation pays a fixed 7.5% rate based on the US $10,000,000 par value of the bond and receives 5.76% return based on a Canadian dollar notional value of $13,350,000. The maturity date of the currency swap is July 15, 2023.

ii) Foreign Exchange Contracts

The Corporation has entered into monthly foreign exchange forward contracts which provide that the Corporation sells a specified amount of US dollars at a predetermined forward exchange rate and purchases the same amount of US dollars at the prevailing spot rate on the settlement date. At February 29, 2004, the Corporation has contracted to sell US $65,000,000 at a forward rate of 1.34754 and purchase the same amount of US dollars at the spot rate on March 31, 2004.

5. Property and Equipment

(IN THOUSANDS OF DOLLARS)	2004			2003
	Cost	Accumulated Amortization	Carrying Value	Carrying Value
Land	$ 2,061	$ —	$ 2,061	$ 2,070
Land improvements	3,890	1,568	2,322	2,353
Buildings	25,708	8,808	16,900	15,138
Equipment	43,889	36,111	7,778	8,532
	75,548	46,487	29,061	28,093
Leasehold improvements	1,760	1,538	222	117
	$ 77,308	$ 48,025	$ 29,283	$ 28,210

6. Provision for Employee Future Benefits

The Corporation has a number of defined benefit plans providing pension and other benefits to eligible employees. The results from the latest valuation as at December 31, 2003 projected to February 29, 2004 and the major assumptions used are as follows:

	2004	2003	2004	2003
	Pension Benefit Plan		Other Benefit Plans	
Economic assumptions:				
Discount rate	5.75%	6.00%	5.75%	6.00%
Inflation rate	2.00%	2.75%	—	—
Expected salary increase	2.75%	2.75%	—	—
Expected health-care cost increase	—	—	5.00%	4.00%
	(IN THOUSANDS OF DOLLARS)			
Plan valuations:				
Present value of plan benefits	$ 102,257	$ 93,241	$ 19,726	$ 14,716
Unamortized actuarial losses	(12,497)	(11,796)	—	—
Provision for employee future benefits	$ 89,760	$ 81,445	$ 19,726	$ 14,716
Financial information:				
Plan expense	$ 10,413	$ 8,267	$ 5,624	$ 3,206
Allocated to investment income *(Note 10)*	(5,821)	(4,648)	—	—
	$ 4,592	$ 3,619	$ 5,624	$ 3,206
Employee contributions	$ 3,851	$ 3,544	$ —	$ —
Benefits/premiums paid	$ 2,098	$ 1,758	$ 614	$ 640

The Corporation has not segregated investment assets to fund the benefit plans. Funding occurs as benefits are paid to employees.

7. Provision for Unpaid Claims

The provision for unpaid claims, including adjustment expenses, represents an estimate for the full amount of all costs and the projected final settlement of claims incurred.

The provision for unpaid claims, including adjustment expenses, is subject to variability. This variability is related to future events that arise from the date the loss was reported to the ultimate settlement of the claims. Accordingly, short-tail claims such as physical damage claims tend to be more reasonably predictable than long-tail claims such as public liability claims. Factors such as the receipt of additional claims information during the claims settlement process, changes in severity and frequencies of claims from historical trends and effects of inflationary trends contribute to this variability.

The determination of the provision for unpaid claims, including adjustment expenses, relies on judgment, analysis of historical claim trends, investment rates of return and expectation on the future development of claims. The process of establishing this provision necessarily involves risks which could cause the actual results to deviate, perhaps substantially, from the best determinable estimate.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

IN THOUSANDS OF DOLLARS)	2004		2003	
	Gross	Reinsurers' Share	Gross	Reinsurers' Share
Automobile Insurance Division				
Liability	$ 1,015,966	$ 53,158	$ 884,900	$ 52,791
Physical Damage	101,061	226	89,178	3,866
	1,117,027	53,384	974,078	56,657
Discontinued Operations				
Personal/Commercial	8,168	—	8,817	—
	$ 1,125,195	$ 53,384	$ 982,895	$ 56,657

The provision for unpaid claims, including adjustment expenses, is discounted using the following discount rates:

	2004
Benefits	Interest Rate Assumptions
Pre-P.I.P.P. Weekly Indemnity	9.0% for seven years and 3.0% thereafter
All other coverages	By year—6.05%, 5.70%, 5.35% and 5.00% thereafter
P.I.P.P. Other than death and impairment	3.0% per year

	2003
Benefits	Interest Rate Assumptions
Pre-P.I.P.P. Weekly Indemnity	9.0% for eight years and 3.0% thereafter
All other coverages	By year—6.40%, 6.05%, 5.70%, 5.35% and 5.00% thereafter
P.I.P.P. Other than death and impairment	3.0% per year

According to accepted actuarial practice, the discounted reserve includes a provision for adverse deviation of $181.2 million (2003-$138.5 million) comprised of a claims development component of $110.5 million (2003-$84.1 million) and an interest rate component of $70.7 million (2003-$54.4 million).

No catastrophic losses are included in net incurred claims or adjustment expenses during the current fiscal year (2003-$ nil). Catastrophes are an inherent risk to the Corporation and may contribute materially to the year-to-year fluctuations in the Corporation's results of operations and financial condition when they occur.

Unpaid claim liabilities are carried at values which reflect their remaining estimated ultimate costs for all accident years.

Changes in the estimate of net unpaid claims, for the Automobile Insurance Division, recognized during the fiscal year ended February 29, 2004 for prior years are as follows:

(IN THOUSANDS OF DOLLARS)	2003	2002	2001	2000 AND PRIOR	TOTAL
	Accident Years				
Net unpaid claims (valuation estimate as at February 28, 2003)	$ 270,808	$ 127,714	$ 95,269	$ 423,630	
Net payments for the year	85,603	17,266	9,535	20,345	
	185,205	110,448	85,734	403,285	
Net unpaid claims (revised valuation estimate as at February 29, 2004)	150,787	109,459	87,052	434,376	
(Redundancy) Deficiency	$ (34,418)	$ (989)	$ 1,318	$ 31,091	$ (2,998)
Prior years (redundancy) deficiency		$ (15,788)	$ (5,177)	$ (5,407)	$ (26,372)

The claims settlement processes may involve the use of structured settlements, which are purchased through various financial institutions. As of the balance sheet date, the present value of expected payments total $122.0 million (2003-$112.8 million) based on various dates of purchase. The Corporation assumes a financial guarantee to make payments to claimants in the event that financial institutions default on payments under the terms of the structured settlement.

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 29, 2004 are $0.6 million (2003-$0.2 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

8. Reinsurance

The Corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 29, 2004, these reinsurance agreements limit the Corporation's exposure to a maximum amount of $2.5 million (2003-$2.0 million) on any one occurrence.

The reinsurance arrangements also limit the Corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $5.0 million (2003-$6.7 million). These arrangements protect the Corporation against losses up to $150.0 million (2003-$166.7 million).

Certain lines of insurance carry maximum limits lower than these amounts. While these arrangements are made to protect against large losses, the primary liability to the policyholders remains with the Corporation.

The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency.

Notes to Financial Statements

FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

The figures shown in the Statement of Operations, excluding discontinued operations, are net of the following amounts relating to reinsurance ceded to other companies:

(IN THOUSANDS OF DOLLARS)	2004	2003
Premiums earned	$ 14,749	$ 10,673
Claims incurred	$ 14,781	$ 16,900

The Corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of $2.4 million (2003–$6.1 million).

9. Operating Lease Commitments

The Corporation is committed to make minimum annual operating lease payments for buildings and equipment. The minimum annual lease payments required are approximately as follows:

(IN THOUSANDS OF DOLLARS)

Fiscal Year	Minimum Lease Payments
2005	$ 2,566
2006	$ 2,499
2007	$ 2,460
2008	$ 2,439
2009	$ 2,491
thereafter	$ 10,369

10. Investment Income, Net

(IN THOUSANDS OF DOLLARS)	2004	2003
Total investment income	$ 134,943	$ 57,580
Less allocation to:		
Discontinued operations	217	97
Provision for pension benefit plan *(Note 6)*	5,821	4,648
Investment income, net	$ 128,905	$ 52,835

Included in total investment income are cash dividends of $4.0 million (2003–$2.3 million).

11. Discontinued General Insurance Operations

The Corporation discontinued writing reinsurance assumed business effective November 18, 1987 and personal and commercial insurance policies effective October 1, 1990.

As of February 28, 2001 the Corporation accepted a third party offer to purchase the reinsurance assumed business from the Corporation. Under the terms of the agreement, the Corporation transferred and assigned to the third party the title, interest and all of the obligations resulting from the uncommuted reinsurance assumed treaties written by the Corporation for the period July 1, 1975 to November 18, 1987 including retrocessional treaties. The obligations include all known or unknown liabilities. The primary liability to the treaty holders remains with the Corporation in the event of the third party's insolvency.

Claims costs and expenses on personal and commercial policies will be incurred until all claims on existing policies are settled.

Discontinued operations resulted in a net income of $764,000 in 2004 (2003-$189,000). Included in the provision for unpaid claims is $8.2 million (2003-$8.8 million) relating to discontinued operations.

12. Surplus Distribution

On December 4, 2000 the Public Utilities Board of Manitoba approved the Corporation's 2001/2002 Basic Insurance rate application which included a one-time surplus distribution of 16.6% on motor vehicle premiums renewed during the 2001/2002 fiscal year.

13. Net Income (Loss)

The lines of business reported net income (loss) as follows:

(IN THOUSANDS OF DOLLARS)	2004	2003
Basic insurance	$ 3,358	$ (30,135)
Extension insurance	8,001	3,292
Special risk extension	25,140	4,049
Discontinued operations	764	189
	33,905	7,530
Net income (loss)	$ 37,263	$ (22,605)

14. Transfer of Retained Earnings

Annually on March 1, the Corporation will transfer to the Basic Insurance Rate Stabilization Reserve, retained earnings in excess of the approved target levels from the Special Risk Extension and Extension lines of business. The approved target levels to February 28, 2005, established by the Board of Directors, are:

Transfer Start Date	Line of Business	Target Level
March 1, 2002	Special Risk Extension	$ 33.0 million
March 1, 2003	Extension	$ 39.0 million

At March 1, 2004 the transfer from Special Risk Extension will approximate $25.1 million (2003-$4.0 million). The transfer from the Extension line of business will approximate $4.3 million (2003-$ nil).

15. Fair Value Disclosure

The fair value of financial assets and liabilities, other than cash and investments *(note 4)* and provision for unpaid claims *(note 7)* approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

16. External Auditor and External Actuary Costs

The Basis of Reporting note *(note 2)* provides information on the appointment of the external auditor and external actuary. In the normal course of business, and in addition to the annual attest audit of the Corporation's financial statements and valuation of policy liabilities, the external auditor and external actuary provided advisory services to the Corporation.

Costs incurred for services rendered are:

(IN THOUSANDS OF DOLLARS)	2004	2003
KPMG		
Audit Fees	$ 106	$ 103
Advisory Fees	9	—
Total	$ 115	$ 103
Ernst & Young		
Valuation of Policy Liabilities Fees	$ 120	$ 70
Actuarial Advisory Fees	99	69
Management Advisory Fees	26	32
Total	$ 245	$ 171

17. Subsequent Event

Effective April 19, 2004, the Province of Manitoba announced that the provincial government has transferred the administration of driver licensing to Manitoba Public Insurance.

18. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year financial statement presentation.

Auditors' Report

To the Workers Compensation Board of Manitoba

We have audited the balance sheet of the Workers Compensation Board of Manitoba as at December 31, 2003 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Winnipeg, Canada
February 27, 2004

Grant Thornton LLP
Chartered Accountants

Balance Sheet

December 31, 2003
(in thousands of dollars)

	2003	2002
Assets		
Cash (Note 3)	$ 1,513	$ (371)
Receivables (Note 4)	27,938	23,189
Investment portfolio (Note 5)	699,276	712,634
Deferred assessments (Note 6)	22,534	20,899
Capital assets (Note 7)	12,363	12,484
	$ 763,624	$ 768,835
Liabilities and Fund Balances		
Payables and accrued liabilities (Note 8)	$ 17,528	$ 15,684
Benefit liabilities (Note 10)	690,123	677,965
Total liabilities	707,651	693,649
Rate stabilization fund balance (Note 12)	35,955	55,168
Accident fund balance (Note 12)	20,018	20,018
	$ 763,624	$ 768,835

Signed on behalf of the Board of Directors

Wally Fox-Decent

Wally Fox-Decent
Chairperson, Board of Directors

Ron Koslowsky
Finance Committee of the Board of Directors

The accompanying notes are an integral part of the financial statements.

Statement of Operations

Year Ended December 31, 2003
(in thousands of dollars)

	2003	2002
Revenue		
Premium revenue (Note 13)	$ 162,591	$ 146,045
Investment income (Note 5)	21,879	33,841
Total revenue	184,470	179,886
Expenses		
Claim costs incurred (Note 10)	155,533	131,910
Operating expenses (Note 14)	48,150	47,931
Total expenses	203,683	179,841
Operating (deficit) surplus	$ (19,213)	$ 45

Statement of Changes in Fund Balances

Year Ended December 31, 2003
(in thousands of dollars)

	2003	2002
Rate stabilization fund balance		
Balance at beginning of year	$ 55,168	$ 55,123
Allocation from operating (deficit) surplus	(19,213)	45
Balance at end of year	$ 35,955	$ 55,168
Accident fund balance		
Balance at beginning of year	$ 20,018	$ 20,018
Allocation from operating (deficit) surplus	0	0
Balance at end of year	$ 20,018	$ 20,018

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

Year Ended December 31, 2003
(in thousands of dollars)

	2003	2002
Operating cash flows		
Premiums from employers	$ 156,351	$ 145,380
Investment revenue	24,305	25,666
Payments to claimants or third parties on their behalf	(143,375)	(137,076)
Purchases of administration goods and services	(46,376)	(44,479)
Net cash used by operating activities	(9,095)	(10,509)
Investing cash flows		
Proceeds on disposal of investments	670,916	858,683
Purchase of investments	(656,954)	(847,631)
Capital asset acquisitions, net of disposals	(2,983)	(2,939)
Net cash provided by investing activities	10,979	8,113
Net increase (decrease) in cash	1,884	(2,396)
Cash at beginning of year	(371)	2,025
Cash at end of year (Note 3)	$ 1,513	$ (371)

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

Year Ended December 31, 2003
($ amounts in thousands of dollars unless otherwise noted)

1. NATURE OF OPERATIONS

The Workers Compensation Board of Manitoba (the WCB) was created in 1917 under the authority of ***The Workers Compensation Act of Manitoba.*** In accordance with the provisions of the Act, the WCB is responsible for:

- administering payments to injured workers and suppliers of services to injured workers,
- levying and collecting premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims, and
- investing surplus funds.

An independent Workers Compensation Appeal Commission operates under the Act to make final rulings on any appeals pertaining to the WCB's assessment or benefits decisions.

The WCB's mission is to provide superior compensation services to Manitoba workers and employers in a manner that is sensitive, responsive and effective. The WCB compensates for lost wages, provides support and arranges for rehabilitative help and has a responsibility to injured workers, their families and their employers to help the injured worker return to health and work in a timely and safe manner.

The workers' compensation system is funded through premiums collected from employers. The Workers Compensation Board of Manitoba does not receive government funding or assistance. Surplus funds are invested and are used to protect the WCB and its ratepayers from general business risks and catastrophic events in areas such as investment returns or extraordinary claims costs.

The WCB's funding policy is intended to ensure that fiduciary responsibilities are carried out in accordance with the Act and that annual influences do not unduly distort the funding process. The WCB is committed to operating on a fully-funded basis to a level-funding standard. Full funding requires that current employers pay for the current and future cost of existing compensable injuries and their administration, rather than future generations of employers paying for those injuries. Under level funding, the cost of claims with lengthy latency periods is funded in a level fashion over the worker's period of exposure to the elements which lead to the injury or disease.

2. SIGNIFICANT ACCOUNTING POLICIES

The WCB's significant accounting policies are as follows:

Measurement Uncertainty

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, which requires the WCB to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Investments

Short term investments are carried at cost. The remaining investments are recorded at cost adjusted toward market value using the moving average market method. Unrealized and realized gains and losses are deferred and amortized on a straight-line basis over 60 months. Interest and dividend income are recognized in the period earned.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Computer equipment	3 – 5 years
Systems development projects	3 – 10 years
Furniture, fixtures and equipment	5 years
Building renovations	10 years
Building	40 years

Employee Future Benefits

The cost of providing pension and other post-employment benefits to employees is recorded as an expense in the period in which employees' services are rendered. The corridor approach is used to record actuarial gains and losses for both the pension plan and other post-employment benefits. Under this approach, the annual actuarial gains and losses are aggregated and, if that amount exceeds 10% of the greater of plan assets or liabilities, the excess amount is amortized over the expected average remaining service life of the covered employees.

Benefit liabilities

The WCB's independent consulting actuary conducts a review of and reports on the benefit liabilities of the WCB at each year end. The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims or injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims and provisions for the future expenses of administering the existing claims.

The benefit liabilities also include the estimated liability for long latent occupational diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefit liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision.

Premium revenue

The operations of the WCB are categorized, in accordance with the Act, into Class E (general employers pool) and several classes of self-insured employers. Employers registered within Class E are subject to collective liability, and assessment premiums are determined by applying applicable industry assessment rates to the employers' reported payrolls for the current year.

Self-insured employers, principally government bodies and railways and their subsidiaries, are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of the self-insured employers.

Foreign currency translation

Assets and liabilities, with the exception of investments, denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The foreign currency exchange gains and losses for investments are recorded in the same manner as the related investment gains, losses, revenues or expenses.

3. CASH

	2003	2002
Bank balances	$ 3,463	$ 1,658
Cheques issued and outstanding	(1,950)	(2,029)
	$ 1,513	$ (371)

The WCB has established an operating line of credit with its principal banker in the amount of $3.0 million. Advances on the line of credit bear interest at the bank's prime interest rate. The WCB has also established a revolving credit facility with the Province of Manitoba in the amount of $40.0 million. Advances on the revolving credit facility bear interest at the Province's preferred lending rate. Both credit facilities are unsecured.

4. RECEIVABLES

	2003	2002
Premiums from Class E employers	$ 20,877	$ 19,824
Allowance for doubtful accounts	(1,807)	(1,869)
	19,070	17,955
Prepaid employee pension plan costs (Note 9)	5,279	(133)
Premiums from self-insured employers	2,183	2,871
Mortgages	200	1,100
Sundry	1,206	1,396
	$ 27,938	$ 23,189

Mortgages receivable bear interest at a rate of 6.0% per annum and are due on demand.

5. INVESTMENT PORTFOLIO

The carrying value and the fair value (market value) of the investments are:

	2003			2002		
	Carrying Value	**Fair Value**	**Actual Market Rate of Return**	**Carrying Value**	**Fair Value**	**Actual Market Rate of Return**
Cash and Short Term Investments	$ 26,032	$ 26,032	1.4%	$ 36,770	$ 36,770	2.9%
Fixed Income						
Government of Canada Bonds	113,911	116,239	–	112,758	117,782	–
Provincial Bonds	61,017	63,581	–	64,614	68,936	–
Corporate Bonds	92,446	95,116	–	93,630	96,749	–
Mortgages	125	123	–	3,823	3,387	–
	267,499	275,059	6.3%	274,825	286,854	8.8%
Real Estate	45,561	46,872	11.1%	40,555	44,222	12.1%
Equities						
Canadian	152,267	183,928	23.1%	146,971	149,484	(7.2%)
U.S.	97,976	98,786	5.7%	97,472	89,995	(17.6%)
Europe, Australia and Far East	100,347	80,583	14.9%	112,988	74,612	(15.6%)
Emerging markets	14,454	16,202	23.0%	11,166	10,526	(6.8%)
	365,044	379,499	16.8%	368,597	324,617	(11.3%)
Total	704,136	727,462	11.0%	720,747	692,463	(1.9%)
Deferred realized gains	(4,860)			(8,113)		
Net Book Value of Investments	$ 699,276			$ 712,634		

Reconciliations of the changes during the year in the deferred unrealized and realized gains (losses) balances are as follows:

	2003	2002
Deferred Unrealized Gains (Losses)		
Balance at beginning of year	$ (28,284)	$ (27,552)
Unrealized net gains (losses) for the year	46,683	(6,494)
	18,399	(34,046)
Amortization during year	4,927	5,762
Balance at end of year	$ 23,326	$ (28,284)
Deferred Realized Gains (Losses)		
Balance at beginning of year	$ 8,113	$ 59,312
Realized net gains (losses) for the year	3,810	(34,473)
	11,923	24,839
Amortization during year	(7,063)	(16,726)
Balance at end of year	$ 4,860	$ 8,113
Investment Income		
Investment income was derived from the following sources:		
Cash and short term investments, including currency exchange	$ (2,482)	$ 319
Bonds	14,090	16,628
Mortgages	221	519
Real estate	4,329	2,936
Canadian equities	3,024	2,585
Foreign equities	3,642	2,890
Amortization of deferred unrealized losses	(4,927)	(5,762)
Amortization of deferred realized gains	7,063	16,726
Loan interest	(42)	(22)
Expenses	(3,039)	(2,978)
Investment income	$ 21,879	$ 33,841

The following analysis provides a comparison of the return on average investments based on the 7.0% discount rate (2002 – 7.0%) used to actuarially determine the benefit liabilities to the actual returns.

	2003	2002
Investment income required to support actuarially determined benefit liabilities	$ 51,079	$ 51,241
Investment income below actuarial requirement	(29,200)	(17,400)
Investment income	$ 21,879	$ 33,841

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Market Risk

The WCB invests in publicly and privately traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The WCB does not use derivative financial instruments to alter the effects of these market changes and fluctuations.

Credit Risk Management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. Of the fixed income assets in the investment portfolio, 98% (2002, 97%) have at least an A credit rating. The WCB does not anticipate that any borrowers will fail to meet their obligations.

Securities Lending

The WCB may lend, for fee income, any of its investments to third parties, provided the loans are secured by cash or readily marketable securities having a market value of at least 105% of the market amount of the investment instruments borrowed. As of December 31, 2003 secured loans amounted to $58.4 million (2002, $34.3 million).

Foreign Exchange Risk Management

The WCB has certain investments denominated in foreign currencies. During 2003 the WCB did not undertake hedging strategies for the currency risk of foreign investments and currency fluctuations influenced short term returns. These fluctuations are not expected to affect the long term position of the investment portfolio.

Interest Rate Risk Management

Fluctuations in interest rates are managed by actively controlling the duration of the fixed income portfolio. The remaining term to maturity of the WCB's bond and mortgage portfolios were 11.5 and 0.2 years, respectively (at December 31, 2002, 11.3 and 0.8 years, respectively).

6. DEFERRED ASSESSMENTS

Deferred assessments represent the WCB's estimate of premiums which will be received in the future from the self-insured employers to fund the future costs of existing claims that have arisen from their employees. The deferred assessments may be secured by irrevocable letters of credit or other suitable forms of guarantee. The changes in deferred assessments were as follows:

	2003	2002
Balance at beginning of year	$ 20,899	$ 20,872
Change in future costs	895	(164)
Change in pension related transactions	1,228	958
Interest allocation	(488)	(767)
Net change in deferred assessments	1,635	27
Balance at end of year	$ 22,534	$ 20,899

7. CAPITAL ASSETS

	2003			2002
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Computer equipment	$ 10,829	$ 8,765	$ 2,064	$ 2,525
Systems development projects	7,834	4,577	3,257	2,676
Furniture, fixtures and equipment	1,899	1,780	119	246
Building renovations	3,138	1,664	1,474	1,711
Building and land	5,701	252	5,449	5,326
	$ 29,401	$ 17,038	$ 12,363	$ 12,484

As a result of asset disposition, $1.1 million of computer equipment, furniture and fixtures, and leasehold improvements, and the offsetting accumulated depreciation were removed from the accounting records. A gain of $6.0 thousand was recognized on the sale of these fully depreciated capital assets.

8. PAYABLES AND ACCRUED LIABILITIES

	2003	2002
Accounts payable and accrued liabilities	$ 3,529	$ 3,067
Claimant annuity program	6,287	5,229
Community Initiatives and Research Program grants	1,732	2,067
Deposits from self-insured employers	1,381	1,379
Employee vacation entitlements	2,208	2,067
Other payables	1,362	1,166
Sick leave plan	1,029	709
	$ 17,528	$ 15,684

9. EMPLOYEE FUTURE BENEFITS

The WCB has a defined benefit plan that provides pension benefits to employees based on length of service and highest average earnings. The WCB also has a benefit plan that provides for a payment of accumulated sick leave credits to employees that meet established criteria upon termination or retirement.

Information about the WCB's employee benefit plans as at December 31 is as follows:

	Pension Plan		Sick Leave Plan	
	2003	2002	2003	2002
Fair value of plan assets	$ 55,743	$ 43,036	$ –	$ –
Accrued benefit obligation	55,818	50,514	2,227	1,973
Plan deficit	$ (75)	$ (7,478)	$ (2,227)	$ (1,973)
Accrued benefit asset (liability)	$ 5,279	$ (133)	$ (1,029)	$ (709)

The WCB determined an expected future benefit (the transitional asset) of $675 thousand existed at January 1, 2000, the date of adoption of the current accounting policy. This amount is being amortized to operations over 15 years. An unamortized balance of $494 thousand remained at December 31, 2003.

While the obligation to pay sick leave credits is unfunded in the sense that the WCB does not hold segregated assets to fund the obligation, the WCB itself has sufficient assets to support its liabilities.

The significant actuarial assumptions adopted in measuring the WCB's accrued benefit obligations are:

	Pension Plan		Sick Leave Plan	
	2003	2002	2003	2002
Discount rate	7.0%	7.0%	7.0%	7.0%
Expected long term rate of return on plan assets	7.0%	7.5%	7.0%	7.0%
Rate of compensation increase	5.0%	5.0%	2.75%	2.75%
Expected average remaining service life (in years)	15	15	15	15

Effective January 1, 2004, the assumption for the discount rate used to value the pension plan liabilities was reduced to 6.5%. The assumption for the expected long term rate of return on pension plan assets remained unchanged.

Other information about the WCB's employee benefit plans is as follows:

	Pension Plan		Sick Leave Plan	
	2003	2002	2003	2002
Plan expense	$ 2,077	$ 1,676	$ 368	$ 307
Employer contributions	7,489	1,450	–	–
Employee contributions	1,283	1,216	–	–
Benefits paid by the plan	1,546	1,431	49	53

10. BENEFIT LIABILITIES

Benefit liabilities are determined in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefit payments reflects management's long term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of the future payments. The fair value for benefit liabilities is not readily determinable.

The key actuarial assumptions used to value the benefit liabilities are as follows:

	2003	**2002**
Future investment earnings	7.0%	7.0%
Benefits indexed to CPI	3.0%	3.0%
Wage indexation	4.0%	4.0%
Healthcare benefits indexation	4.0%	4.0%

An analysis of the components of and changes in benefit liabilities is as follows:

	2003						**2002**
	Short Term Disability	**Long Term Disability**	**Survivor Benefits**	**Healthcare Benefits**	**Rehabilitation Services**	**Total**	**Total**
Balance at beginning of year	$ 79,660	$ 356,197	$ 148,423	$ 75,307	$ 18,378	$ 677,965	$ 683,131
Add: Claim costs incurred							
Current year	61,340	(6,121)	6,976	30,909	5,341	98,445	98,533
Prior years	(12,118)	45,292	5,036	21,026	(2,148)	57,088	33,377
	49,222	39,171	12,012	51,935	3,193	155,533	131,910
Less: Claim payments made							
Current year	23,001	101	105	12,407	20	35,634	32,587
Prior years	25,849	42,110	14,038	22,301	3,443	107,741	104,489
	48,850	42,211	14,143	34,708	3,463	143,375	137,076
Balance at end of year	$ 80,032	$ 353,157	$ 146,292	$ 92,534	$ 18,108	$ 690,123	$ 677,965

The liability for short term disability claims is an estimate of future wage loss payments for claims that have yet to medically plateau or stabilize. The long term disability liability includes estimated future wage loss payments for those claims that have medically plateaued and stabilized, and estimated future pension payments. The liability for survivor benefits is composed of estimated future pension payments and other services provided to survivors of those who have lost their lives as a result of workplace accidents. Healthcare liabilities are the estimated future medical costs for existing claims. The liability for rehabilitation services is composed of the estimated cost of future rehabilitation services which are supplied externally to the WCB.

Included in long term disability is the WCB's liability, in the amount of $52.4 million (2002, $60.4 million), for the future cost of claims relating to certain latent occupational diseases which may have occurred in the current year or prior years, but which may not be recognized and reported for a number of years due to the extended latency periods of such diseases.

Also included in benefit liabilities is a provision in the amount of $37.1 million (2002, $35.3 million) for the future cost of administering existing claims.

11. BENEFIT LIABILITIES FOR SELF-INSURED EMPLOYERS

Note 10 contains a complete description of the components of the WCB's benefit liabilities for all employers. An analysis of the portion relating to the self-insured employers is as follows:

	2003						**2002**
	Short Term Disability	**Long Term Disability**	**Survivor Benefits**	**Healthcare Benefits**	**Rehabilitation Services**	**Total**	**Total**
Balance at beginning of year	$ 6,692	$ 34,727	$ 26,801	$ 9,034	$ 943	$ 78,197	$ 77,793
Add: Claim costs incurred							
Current year	5,532	(613)	659	3,785	431	9,794	9,908
Prior years	(1,851)	4,125	1,618	2,180	(330)	5,742	6,809
	3,681	3,512	2,277	5,965	101	15,536	16,717
Less: Claim payments made							
Current year	2,228	9	7	1,193	1	3,438	3,089
Prior years	2,690	3,945	3,006	3,359	108	13,108	13,224
	4,918	3,954	3,013	4,552	109	16,546	16,313
Balance at end of year	$ 5,455	$ 34,285	$ 26,065	$ 10,447	$ 935	$ 77,187	$ 78,197

Included in the premiums and claim costs are payments in the amount of $2.5 million (2002, $2.3 million) made by self-insured employers directly to claimants on the WCB's behalf. These amounts are reported to the WCB for inclusion in these financial statements.

Included in the benefit liabilities balance is $5.4 million (2002, $6.3 million) for the self-insured employers' share of the long latent occupational disease liability and $3.2 million (2002, $3.0 million) for the future cost of administering existing claims.

12. FUND BALANCES

The Rate Stabilization Fund balance protects the WCB from the risk that a catastrophic event, causing either an increase in the value of the liabilities or a decrease in the value of assets, could unfairly burden Class E employers and potentially cause the accident fund balance to become unfunded or prompt the WCB to consider exceptional increases in assessment rates. The fund's target balance is based on an adapted formula – the Minimum Continuing Capital and Surplus Requirements – from the Office of the Superintendent of Financial Institutions, Canada (OSFI). Based on this formula, the fund's target balance at the end of 2003 was $68.5 million (2002, $68.9 million). The actual balance at December 31, 2003 was $36.0 million (2002, $55.2 million).

The Accident Fund balance protects the WCB and its stakeholders from general business risks and is collectively attributable to the Class E employers. The fund's target balance is established using a modified OSFI formula. The target balance for the fund based on this formula was $42.4 million at the end of 2003 (2002, $40.5 million). The actual balance at December 31, 2003 was $20.0 million (2002, $20.0 million).

13. PREMIUM REVENUE

	2003	2002
Premiums – Class E employers	$ 144,913	$ 129,073
Assessments – Self-insured employers	16,043	16,945
Increase in deferred assessments (Note 6)	1,635	27
Total premium revenue	$ 162,591	$ 146,045

14. OPERATING EXPENSES

	2003	2002
Salaries, employee benefits and training	$ 30,514	$ 29,857
Information technology service fees	1,895	1,821
Professional fees	651	779
Occupancy costs	1,773	1,802
Office supplies and services	1,084	1,219
Communications	991	1,014
Donations	89	90
Amortization of capital assets	3,104	3,501
Administration expenses	40,101	40,083
Appeal Commission	1,042	1,062
Community Initiatives and Research Program grants	1,000	1,000
Recoveries from the Government of Canada	(643)	(614)
Prevention and other (Note 15)	6,650	6,400
Total operating expenses	$ 48,150	$ 47,931

Of the total operating expenses, $3.0 million (2002, $3.0 million) was allocated to the self-insured employers based on the current year's transaction volumes.

The WCB administers the Government Employees Compensation Act program for the Government of Canada. The operation of this program is reflected only to the extent of the recoveries of administration expenses.

15. RELATED PARTY TRANSACTIONS

Pursuant to ***The Workplace Safety and Health Act of Manitoba***, the Province may pay the expenses incurred in the administration of that Act out of the consolidated fund and may, subsequently, recover such portion as it may determine from the class funds under ***The Workers Compensation Act of Manitoba***. For 2003, the amount charged to operations under this provision is $5.7 million (2002, $5.5 million).

Also, under Section 84.(1) of ***The Workers Compensation Act of Manitoba***, the Province may pay the costs incurred in respect of worker advisors and may recover them from the class funds. For 2003, the amount charged to operations under this provision is $0.9 million (2002, $0.9 million).

In addition to the legislated obligations referred to above, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various provincial government controlled ministries, agencies and Crown corporations with which the WCB may be considered related. This includes the provision of assistance, in the form of medical opinions and appeal services, for the Province of Manitoba relating to criminal injury claims. The provincial government is also a self-insured employer under ***The Workers Compensation Act of Manitoba***. Account balances resulting from these transactions are included in the financial statements and are settled on normal trade terms.

Included in the WCB's investment portfolio are guaranteed debentures issued by the Province of Manitoba, in the amount of $11.1 million (2002, $13.9 million).

16. AUDITOR INDEPENDENCE

The WCB had, in the past, engaged Grant Thornton LLP, the external auditor, to provide advisory services that assess vocational rehabilitation plans for claimants. Grant Thornton LLP did not provide any non-audit services for the year ended December 31, 2003 (2002, $4.0 thousand).

17. COMMITMENTS

The WCB has signed operating leases for office premises and equipment expiring at various times until August 31, 2008.
The minimum lease obligations over the next five years are:

2004	2005	2006	2007	2008	TOTAL
$ 457	$ 287	$ 97	$ 97	$ 65	$ 1,003